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REPORT

OF A

COMMITTEE

ON

TRADE AND TAXATION

FOR

British West Africa,

Appointed by the Secretary of State for the Colonies.

Presented to Parliament by Command of His Majesty.
March, 1922.

The minutes of evidence taken before the Committee, together with certain documents, are published by and can be obtained from the Crown Agents for the Colonies (*price* 7s. 6d.).

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TABLE OF CONTENTS.

	Para.	Page.
I.—Preliminary...	1–4	5
II.—Forms of taxation at present in force in the Colonies and Protectorates of Nigeria, the Gold Coast, Sierra Leone and the Gambia	5–23	6
III.—The present financial position of the British West African Colonies and Protectorates	24–48	18
IV.—Prohibition of the importation of "Trade" spirits and its effect upon the revenues of the British West African Colonies	49–53	23
V.—Action of the French Government in relation to the prohibition of the importation of "Trade" spirits into the West African Colonies	54–76	25
VI.—Letter from the Native Races and the Liquor Traffic United Committee	77–86	29
VII.—Export duties on produce	87–98	31
VIII.—The effects of the export duties on production and exportation	99–189	36
A.—Palm Kernels, Palm Oil, and Nigerian Ground-Nuts...	100–125	36
B.—Gold Coast Cocoa	126–148	44
C.—Gold Coast Timber	149–160	50
D.—Nigerian Hides and Skins	161–174	53
E.—Nigerian Tin	175–178	56
F.—Graduated Export Duties	179–182	57
G.—Conclusions	183–189	58
IX.—The £2 differential duty on Palm Kernels	190–213	59
X.—Broadening the basis of taxation	214.	64

APPENDICES.

1.—Memorandum on the importation of Spirits into the British West African Colonies during the years 1919 and 1920, and the approximate quantities for 1921 based on the information available for the year	66
2.—Export duties on palm and similar produce exported from British Colonies other than the British West African Colonies	69
3.—Statement shewing the export duties leviable in French West Africa, French Equatorial Africa, and the Belgian Congo on produce subject to export duties in British West Africa	71
4.—Views held by the African Unofficial Members of the Gold Coast Legislative Council with regard to the existing Customs duties in that Colony	71
5.—Table shewing the percentages which the revenues of each of the West African Colonies bear to the total value of the produce exported during the years 1911-1920 ...	72

NOTE.—The cost of printing and producing this report is £42 15*s*. All other expenses incurred in connection with the Committee have been borne by the Governments of the West African Colonies.

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REPORT.

To the Right Honourable

WINSTON S. CHURCHILL, M.P., &c., &c.,

His Majesty's Secretary of State for the Colonies.

SIR,

In June last you approved the appointment of a Committee with the following terms of reference :—

" To examine and report upon the forms of taxation at present in force in the Colonies and Protectorates of Nigeria, the Gold Coast and its Dependencies, Sierra Leone and the Gambia, with special reference to the adequacy or otherwise of these existing sources of income to meet the requirements of the Colonies and Protectorates concerned ;

" To examine and report upon the adverse effects, if any, which any existing forms of taxation are having, or are calculated to have, upon the commerce of any of these Colonies and Protectorates ;

" To formulate representations designed, if possible, to widen the basis of taxation and to tap new sources of revenue, with special reference to the fiscal situation created by the loss of income consequent upon the prohibition of the importation of ' Trade ' spirits into the British West African Colonies ;

" And to submit any recommendations that the Committee may desire to formulate for the management of the financial affairs of the Colonies and Protectorates concerned, that may enable them, in spite of the falling revenue wherewith they are at present threatened, to finance the loans needed by them for essential public works."

The members of the Committee were as follows :—

Sir Hugh Clifford, G.C.M.G. Governor of Nigeria (*Chairman*).

Mr. J. H. Batty. Appointed on the recommendation of the African and Eastern Trade Corporation, Limited.

Mr. G. L. Craik. Appointed on the recommendation of the Commonwealth Trust, Limited.

Mr. W. K. Findlay. Appointed on the recommendation of the Niger Company, Limited.

Mr. J. T. Furley, O.B.E. Secretary for Native Affairs, Gold Coast.

Captain C. H. Greig. Commissioner of Police, Gambia.

Mr. S. McG. Grier. Secretary for Native Affairs, Nigeria.

Mr. R. L. Holt. Appointed on the recommendation of the Liverpool Chamber of Commerce.

Mr. D. S. MacGregor. Treasurer, Nigeria.

Mr. N. Melland, C.B.E. Appointed on the recommendation of the Manchester Chamber of Commerce.

Captain J. M. Reid. Comptroller of Customs, Gold Coast.

Mr. S. Renshaw. Treasurer, Sierra Leone.

Mr. A. W. Russell. Appointed on the recommendation of the Association of West African Merchants.

Mr. A. R. Slater, C.M.G., C.B.E. Colonial Secretary, Gold Coast.

Mr. J. D. Milne Stewart. Comptroller of Customs, Nigeria.

Mr. E. B. Tredwen. Appointed on the recommendation of the London Chamber of Commerce.

Mr. J. E. Trigge. Appointed on the recommendation of the Nigerian Chamber of Mines.

Mr. A. P. Viret. Comptroller of Customs, Sierra Leone.

The Committee have now the honour to present the following report :—

REPORT.

I.—PRELIMINARY.

1. The Committee held its first meeting on the 5th of October and thereafter sat on the 12th, 13th, 19th and 20th of October and on the 2nd, 3rd, 9th, 17th, 18th and 23rd of November.

2. At the first meeting of the Committee a majority of the unofficial members raised objections to the Terms of Reference, and the following resolution was passed by them, the official members present refraining from voting :—

> "That the unofficial members of this Committee cannot usefully serve unless the Terms of Reference are extended so that they may consider and advise upon expenditure and the allocation of the same to capital or revenue, in which case they would be willing to consider all the other Terms of Reference."

3. The text of this resolution was in due course submitted by the Chairman to the Secretary of State, and at the meeting held on the 12th of October, the latter's reply was communicated to the Committee. It was as follows :—

> "Mr. Churchill regrets that he is unable to agree to any extension of the Terms of Reference in the direction indicated. The Committee originated in a request from the Joint West African Committee of the London, Liverpool, and Manchester Chambers of Commerce for the appointment of a Committee to report on the question of the maintenance of export duties on produce, and the Secretary of State has never had any intention of appointing a Committee to enquire into Government expenditure in the West African Colonies, and sees no reason for doing so. Apart from this reason, experience has shown that enquiries into the expenditure of a Colonial Government cannot be effectively conducted by a large Committee sitting in England, but can only be usefully undertaken by a small body which must be able to spend a considerable time in making a detailed examination on the spot. Moreover, a Committee composed in part of officers of the West African Governments is not, in Mr. Churchill's opinion, a suitable body to review the expenditure of those Governments.
>
> "If, however, the Committee considers that owing to the limitations imposed by the Terms of Reference on their investigations it is unable effectively to deal with any of the subjects enumerated in those Terms of Reference, it should so report in due course, while submitting its recommendations with regard to such subjects as do not appear to it to fall within this category."

4. The Committee thereupon decided that, in the first instance, it would concentrate its attention upon the subjects included in the Terms of Reference with which the unofficial members agreed that they were in a position to deal ; and during the meetings held up to

and including 2nd and 3rd of November, the following gentlemen attended and in turn gave evidence before it :—

Mr. W. F. Irvine. Representing the Liverpool United General Produce Association, Limited.

Mr. J. W. Pearson. Representing the National Seed Crushers' Association, the Incorporated Oil Seed Association and the Liverpool Cattle Food Association.

Mr. L. Couper, C.M.G. General Manager of the Bank of British West Africa, who was accompanied by

Mr. G. A. Bayham. Manager of the Hamburg Branch of the Bank of British West Africa.

Mr. G. Hyslop Bell. General Manager of the Colonial Bank.

Mr. M. Crombie Steedman. Representing the London Chamber of Commerce.

Mr. J. H. Batty (twice). Chairman of the African and Eastern Trade Corporation, Limited—a member of the Committee.

Sir W. G. Watson, Bart. Chairman of the Maypole Dairy Company, Limited, and of the Erith Oil Works, Limited.

Mr. C. C. Knowles. Nominated by Messrs. Lever Brothers.

Mr. J. Pickering Jones. Director of the African and Eastern Trade Corporation and of Lagos Stores, Limited.

Mr. T. Welsh. Director of T. Welsh and Company, Limited.

Mr. B. H. Higgins. Of Messrs. Robinson and Hadwen, Liverpool.

Mr. J. Holt. Representing the Association of West African Merchants.

Mr. E. W. Cozens Hardy. General Manager of the Gold Coast Government Railways.

Colonel H. W. Lake, C.M.G. Representing the Nigerian Chamber of Mines.

Sir Alfred Mansfield, K.B.E. Late Director of the Oils and Fats Department in the Ministry of Food.

Mr. S. Renshaw. Treasurer, Sierra Leone—a member of the Committee.

Mr. J. T. Furley, O.B.E. Secretary for Native Affairs, Gold Coast—a member of the Committee.

Mr. C. B. Shepherd. Of McNeill, Scott and Company, Limited, Liverpool.

Mr. S. McG. Grier. Secretary for Native Affairs, Nigeria—a member of the Committee.

II.—FORMS OF TAXATION AT PRESENT IN FORCE IN THE COLONIES AND PROTECTORATES OF NIGERIA, THE GOLD COAST, SIERRA LEONE AND THE GAMBIA.

5. The forms of taxation at present in vogue may be classified as follows :—

A.—Direct Taxation.

(i) A general tax universal throughout the Northern Provinces of Nigeria and also levied in five of the Southern Provinces.

It is known as " Haraji " in Mahommedan districts and as the Government Tax in others. In character it is an income tax based on the wealth of the different villages as assessed by the Political Officers. (See more detailed description below.)

(ii) " Hut taxes " in Sierra Leone and the Gambia.

(iii) A live-stock tax in the Northern Provinces of Nigeria known as " Jangali."

NOTES.

(*a*) There is no direct taxation in the Gold Coast.

(*b*) An " Ordinance to impose a tax on Income " is under consideration by the Sierra Leone Government.

B.—Indirect Taxation and other Revenue.

(i) Customs Duties (Import and Export).
(ii) Railway rates.
(iii) Marine.
(iv) Licences.
(v) Fees of Court or Office, &c.
(vi) Posts and Telegraphs.
(vii) Rents of Government Property.
(viii) Royalties.
(ix) Interest.
(x) Miscellaneous.
(xi) Land sales and Premia.

6. The following table shows the proportion in percentages of the Colonial Revenues derived from Direct and Indirect Taxation during the past ten years :—

	Nigeria.		Gold Coast.		Sierra Leone.		Gambia.	
	By Direct Taxation.	By Indirect Taxation.	By Direct Taxation.	By Indirect Taxation.	By Direct Taxation.	By Indirect Taxation.	By Direct Taxation.	By Indirect Taxation.
	%	%	%	%	%	%	%	%
1911	8·1	91·9	—	100	11·6	88·4	4·7	95·3
1912	9·1	90·9	—	100	10·3	89·7	4·1	95·9
1913	8·7	91·3	—	100	9·7	90·3	3·8	96·2
1914	9·8	90·2	—	100	12·9	87·1	6·3	93·7
1915	11·3	88·7	—	100	12·9	87·1	7·0	93·0
1916	13·1	86·9	—	100	12·0	88·0	5·0	95·0
1917	11·9	88·1	—	100	11·6	88·4	5·8	94·2
1918	11·3	88·7	—	100	10·5	89·5	5·3	94·7
1919	10·0	90·0	—	100	7·8	92·2	4·1	95·9
1920	7·7	92·3	—	100	5·9	94·1	3·0	97·0
1921 (part of) ...	13·3 (Jan. to July)	86·7	—	100	13·3 (Jan. to Aug.)	86·7	5·4 (Jan. to Sept)	94·6
Average ...	10·4	89·6	—	100	10·7	89·3	4·9	95·1

DIRECT TAXATION.

7.—(i) **Nigeria.**

(*a*) Direct Taxation is universal throughout the Northern Provinces. The assessment is carried out by Political Officers, who make a careful enquiry into the crops grown, the fertility or otherwise of the land under cultivation, the facilities for marketing produce, the industries of the community, the livestock, excluding cattle, owned by them—in fact, all sources of wealth. The maximum tax is fixed at 10 per cent. of gross profits, which is calculated to represent 25 per cent. of nett profits. In actual fact the assessment is generally much below the maximum. A full report of the method of assessment and the proposed tax of each town or village is submitted to the Lieutenant-Governor, and if approved by him is publicly announced to the people. The actual incidence of taxation is left to the town or village Head who, in consultation with his council, apportions the tax in accordance with the wealth of the individual. In other words, the aim of this system of taxation is an Income Tax graduated according to the wealth of the individual. In some primitive pagan areas taxation takes the form of a light capitation tax.

(*b*) A different form of taxation has been introduced in parts of Kano and Sokoto Provinces, where farms are measured, and the incidence is fixed in accordance with the amount of land put under cultivation.

(*c*) The incidence of taxation on the adult male varies considerably, not only between provinces but between divisions in each province. In 1918 it was as low as 8*d.* in a pagan division in Yola and as high as 10*s.* 1*d.* in Ilorin. Subsequent re-assessment has increased the latter figure.

(*d*) It is important to note that the General Tax as now levied by the Government of Nigeria merely replaced a number of taxes and irregular imposts formerly collected by the Native Chiefs. From the point of view of the individual native the new system brought relief rather than additional taxation.

(*e*) In addition to this General Tax, known in Mahommedan Provinces as Haraji, a separate tax is levied on all cattle, which is known as Jangali. This is fixed at 1*s.* 6*d.* a head. Where flocks of sheep and goats have not been included in the general assessment of a town or village they are liable to pay Jangali. The usual rate is 6*d.* on sheep and 3*d.* on goats.

(*f*) The following classes are exempt from taxation : (*a*) the blind, or those who by reason of bodily infirmity or disease are unable to earn more than the bare means of subsistence ; (*b*) all soldiers and police who have been decorated with the D.C.M., or who have been wholly or partially disabled in action ; (*c*) all official incomes, whether paid by Government or by the Native Administration. Natives who live in townships are exempt from paying taxes to the Native Administration, but pay rent to the Government as well as local rates.

(*g*) Labourers, whether working for the railway, for the firms or for the mines, pay, as a rule, a fixed rate. A mines labourer, for instance, pays 1*s.* a month.

(*h*) Except in primitive pagan areas, where it is necessary to arrange for the tax to be paid direct to a political officer, all taxes are

collected by the Native Administration. The village Head collects from his people and pays in the Tax to the district Head, who brings it to the Emir. The money is placed in the Native Treasury and 50 per cent. is then paid to Government.

(*i*) In the Southern Provinces direct taxation has been introduced in Oyo, Abeokuta, Ondo, Jebuode and Benin. In the Cameroons a Capitation Tax, which varies according to the district from 2*s.* 1*d.* to 4*s.* 8*d.*, is levied. This tax had been introduced by the Germans and has been continued. In the five provinces mentioned assessment has been carried out on lines which approximate to the Northern system, but it was found inadvisable to leave the apportionment of the tax to the village Heads and Councils. The assessment by political officers has to a great extent been an individual assessment. In the Oyo Province it was found necessary to introduce fixed rates for farmers, which vary between districts from 5*s.* to 7*s.* Traders are called upon to pay a small income tax. In the Oyo Province this income tax does not exceed 2½ per cent. on earned incomes and 5 per cent. on incomes derived from rents. The collection of taxes is carried out on the same lines as in the North and 50 per cent. is paid to Government.

(*j*) The total revenue from direct taxation in Nigeria paid to Government in 1920 amounted to £517,000.

(ii) **Sierra Leone.**

(*a*) The " hut tax " in the Protectorate of Sierra Leone is at the rate of 5*s.* a hut. Owing to a ruling of the Circuit Court, whereby the term " hut " is interpreted so as to cover the type known as " Conco," which shelters a number of families, the yield of this tax has been practically stationary for several years, as the " Conco " type of house is naturally adopted with increasing frequency, thus neutralising, so far as the tax is concerned, the normal increase of the population.

(*b*) The Chiefs assess the number of huts in their division and, after the number has been approved by the District Commissioner, the Chiefs collect and pay the tax to Government. The Chiefs receive 5 per cent. of the proceeds as remuneration.

(*c*) In the Colony there is a similar House Tax. This, however, is not treated as part of the general Colonial revenue but is placed on deposit to the credit of a Tax Fund, whence it is drawn for expenditure, *e.g.*, on sanitary improvements, small local works, &c.—in the districts of collection.

(iii) **Gambia.**

The hut tax in the Gambia Protectorate, *i.e.*, excluding Bathurst and the Island of St. Mary is at the rate of 1*s.* a hut (aliens pay 2*s.*). The proceeds for 1921 are estimated at £7,800.

INDIRECT TAXATION AND OTHER REVENUE.

8. By far the most important item under this head is *Customs Revenue.* In each of the four Colonies Customs Duties, &c., produce a large proportion of the total revenue ; the proportion in percentages for 1913 and the last three years being shown in the following table :—

	Nigeria.	Gold Coast.	Sierra Leone.	Gambia.
	%	%	%	%
1913	55·8	59·9	51·3	78·4
1919	38·6	64·3	59·0	75·7
1920	46·4	61·3	63·8	74·4
1921 (part of)	32·4 (Jan.–July)	52·2 (Jan.–Aug.)	47·4 (Jan.–Aug.)	69·6 (Jan.–Sept.)

Prior to 1916 practically the whole of the Customs Revenue (except in the Gambia) came from Import Duties, but since 1916 a considerable proportion is represented by Export Duties, as shown in the following table, which gives in percentages the sources of total Customs Revenue for the last three years :—

	Nigeria.		Gold Coast.		Sierra Leone.		Gambia.	
	From Import Duties and Miscellaneous Sources.	From Export Duties and Produce Inspection Fees.	From Import Duties and Miscellaneous Sources.	From Export Duties.	From Import Duties and Miscellaneous Sources.	From Export Duties.	From Import Duties and Miscellaneous Sources.	From Export Duties.
	%	%	%	%	%	%	%	%
1919	65·1	34·9	74·9	25·1	85·7	14·3	83·9	16·1
1920	73·2	26·8	74·5	25·5	75·0	25·0	86·1	13·9
1921 (part of) ...	67·3 (Jan.–July)	32·7	53·8 (Jan.–Aug.)	46·2	90·5 (Jan.–Aug.)	9·5	47·6 (Jan.–Sept.)	52·4

NOTE.—" Miscellaneous Sources " (*e.g.*, Rent, &c.), and in the case of Nigeria Produce Inspection Fees, amount to only a very small proportion of the total Customs Revenue.

9. The following table shows the proportion in percentages which Import Duties and Export Duties respectively bear to the total revenue of the several Colonies :—

	Nigeria.		Gold Coast.		Sierra Leone.		Gambia.	
	Import Duties and Miscellaneous Sources.	Export Duties and Produce Inspection Fees.	Import Duties and Miscellaneous Sources.	Export Duties.	Import Duties and Miscellaneous Sources.	Export Duties.	Import Duties and Miscellaneous Sources.	Export Duties.
	%	%	%	%	%	%	%	%
1919	25·2	13·4	48·2	16·1	50·6	8·4	63·5	12·2
1920	34·1	12·3	45·7	15·6	47·9	15·9	64·0	10·4
1921 (part of) ...	21·8 (Jan.–July)	10·6	28·1 (Jan.–Aug.)	24·1	42·9 (Jan.–Aug.)	4·5	33·1 (Jan.–Sept.)	36·5

10. Import Duties.

With the exception of the articles enumerated in the Free Lists of the several Colonies or otherwise exempt, all imports are subject to import duty, either specific or *ad valorem*. The various specific duties are set out in the Tariffs.

11. The *ad valorem* rates are as follows :—

Nigeria.	Gold Coast.	Sierra Leone.	Gambia.
12½ per cent. on furniture, textiles, earthenware and hardware.	12½ per cent. on provisions not otherwise enumerated. 20 per cent. on other articles.	25 per cent.	10 per cent. on cottons, boots, jewellery and perfumery. 7½ per cent. on other articles.

12. The above rates are a very recent imposition : previous to the War there was a uniform rate of 10 per cent. in Nigeria, Gold Coast and Sierra Leone, and the rate in the Gambia was 5 per cent. only. The fluctuations during and since the War have been as follows :—

Nigeria.—2½ per cent. surtax imposed in 1916 ; incorporated in general rate on 20th December, 1919.

Gold Coast.—Raised to 12½ per cent. in 1915 and to 20 per cent. in 1918 (except on provisions). Most provisions put on Free List in June, 1920, but 12½ per cent. duty reimposed in January, 1921.

Sierra Leone.—10 per cent. pre-war. Raised to 15 per cent. in 1915 ; raised to 20 per cent. in January, 1921 ; raised to 25 per cent. in July, 1921.

Gambia.—5 per cent. pre-war. Raised to 7½ per cent. in 1916 (10 per cent. on boots, jewellery and perfumery). The 10 per cent. rate on cotton goods was imposed in November, 1920.

13. Provisions for a number of years have been and are still on the free list in Nigeria ; they were placed on the free list in the Gambia in November, 1920, but are subject to *ad valorem* duties of 12½ per cent. in the Gold Coast and 25 per cent. in Sierra Leone.

14. Many of the specific duties in Nigeria, the Gold Coast and Sierra Leone have been increased recently. Those in Nigeria were raised at the end of 1919 by about 25 per cent., *i.e.*, the equivalent of the 2½ per cent. surtax on *ad valorem* goods ; in the Gold Coast increases varying from 33⅓ per cent. to 300 per cent. were imposed in January, 1921, on bread, candles, coffee, gunpowder, kerosene, matches, rice, salt, sugar, tobacco, wines and spirits. (The largest increases were on manufactured tobacco—raised from 1*s.* 6*d.* to 4*s.* a lb. and on cigars, raised from 1*s.* to 4*s.* per 50.) In addition, a new duty of 3*d.* a gallon was imposed on motor spirit. Petrol has also this year been subjected to a similar duty in Sierra Leone. In Nigeria the duty is 8*d.* per gallon.

Amongst other articles recently removed from the free list in Sierra Leone are bags for exportation of West African produce (rated at 1*d.* each), bread, trade biscuits, flour and motor vehicles for passengers, rated at 25 per cent. *ad valorem.*

The Nigerian specific duties on matches, soap, kerosene, gunpowder, beads, cigars, cigarettes and tobacco were raised in August, 1921.

15. Spirits have been subjected to progressively increasing import duties, *i.e.*, in the Gold Coast from 6*s.* 3*d.*, a gallon in 1913 to 9*s.* 6*d.* in 1915, 15*s.* in 1919, 20*s.* in January, 1921, and 25*s.* in May, 1921. The last-named rate is now uniform throughout British West Africa for a strength of 50 degrees per cent. of pure alcohol with a minimum of 22*s.* 4*d.*

In the Northern Provinces of Nigeria, the Northern Territories of the Gold Coast and parts of Sierra Leone, the importation and sale of all spirits is absolutely prohibited so far as the natives are concerned. In 1919 the importation and sale of Trade Spirits was prohibited throughout the British West African Colonies, with a consequent notable reduction in this source of revenue. The following table shows the proportion in percentages which the revenue from spirit duties bore to the total revenue in the years 1913 and 1921 :—

	Nigeria.	Gold Coast.	Sierra Leone.	Gambia.
	%	%	%	%
1913	35·9	38·6	27·0	14·4
1921 (part of)	3·8 (Jan.–July)	9·1 (Jan.–Aug.)	6·4 (Jan.–Aug.)	3·0 (Jan.–Sept.)

The actual amounts collected from these duties were as follows :—

	Nigeria.	Gold Coast.	Sierra Leone.	Gambia.
	£	£	£	£
1913	1,140,000	502,000	167,000	18,000
1921	106,000*	155,000†	27,000‡	4,500§

* Up to July. † Up to August.
‡ Up to August. § Up to September.

16. **Export Duties.**

The following are the export duties now in force :—

Nigeria.	Gold Coast.	Sierra Leone.	Gambia.
Cocoa, £2 6*s.* 8*d.* per ton.	Cocoa, £4 13*s.* 4*d.* per ton.	Palm kernels, £1 per ton.	Ground-nuts, £1 per ton.
Palm oil, £3 per ton.	Kola, ½*d.* per lb.	Palm oil, £4 3*s.* 4*d.* per ton.	
Palm kernels, £2 per ton.	Timber, 2*d.* per cu. ft.	Kola, 4*s.* 8*d.* per cwt.	
Ground-nuts, £1 per ton.	Diamonds, 5 per cent. *ad valorem.*	Gum copal, 3*d.* per lb.	

Nigeria.	Gold Coast.	Sierra Leone.	Gambia.
Hides and skins (tanned), 3*d.* per lb.			
Hides and skins (untanned or haired), 2*d.* per lb.			
Palm kernel oil, £3 per ton.			
Tin (if not smelted in the United Kingdom or British Possessions), 50 per cent. of maximum royalty payable.			
Differential duty on palm kernels exported otherwise than to the United Kingdom or British Possessions, £2 per ton.	Differential duty on palm kernels (as in Nigeria).	Differential duty on palm kernels (as in Nigeria).	Differential duty on palm kernels (as in Nigeria).

NOTE.—For further details as to the dates of original imposition and as to changes in the rates of export duties—*see* Section VII.

17. Railway Revenue.

In the three Colonies possessing railway systems (Nigeria, Gold Coast and Sierra Leone) the railway receipts form an important part of the general revenue, the railway percentages of the total revenue being as follows in the years 1913, 1919, 1920 and 1921.*

	Nigeria.	Gold Coast.	Sierra Leone.
	%	%	%
1913	19·9	27·0	27·0
1919	30·0	25·5	23·5
1920	23·0	19·8	20·3
1921 (part of)	30·5 (Jan.–July.)	26·0 (Jan.–Aug.)	26·0 (Jan.–Aug.)

The above percentages refer to the gross railway receipts. The following table shows the estimated revenue and expenditure of the three railways for the current financial year :—

	Nigeria.	Gold Coast.	Sierra Leone.
	£	£	£
Revenue	1,673,500	720,000	200,000
Working expenses	1,227,207	427,155	247,165
Capital expenditure charged to Revenue Account	736,018	63,502	131,270
Total expenditure charged to Revenue Account	£1,963,225	£490,657	£378,435

* The figures given in the table in respect of the years 1913, 1919 and 1920 are calculated from the figures of railway revenue given in the Blue Books of the respective Colonies for those years.

The tariffs on all three railways have been raised in recent years :—

(i) In Nigeria as follows :—
Before 1917—Goods surcharge 10 per cent.
July, 1917—Additional surcharge 20 per cent.
1918—Coal rates increased.
October, 1920—Motor rates increased 40 per cent.
January, 1921—Passenger rates increased 33 per cent. to 50 per cent.

(ii) In the Gold Coast all rates, both goods and passenger, were raised by 15 per cent. in 1915. (A further addition of 50 per cent. was made in 1916 in respect of the freight on cocoa on the *Seccondee-Coomassie Line only*, in order to make the rates on that line more nearly equal to the rates on the Accra-Koforidua line.)

(iii) In Sierra Leone in October, 1917, the rates for palm kernels, palm oil, kola nuts, rice, spirits, tobacco and cotton goods were increased by 10 per cent., and salt by 5 per cent. and passenger fares by 10 per cent The increased rates on palm oil, palm kernels, and kola nuts ceased to operate on 31st December, 1917, on the imposition of export duties on these items. In December, 1919, the passenger rates were further increased.

18. Posts and Telegraphs.

(*a*) *Postal rates*—

(i) Nigeria has raised its external postage (*i.e.*, to the United Kingdom and British Possessions) from 1*d.* to 2*d.* for the first ounce, but has maintained its internal rate at 1*d.* an ounce.

(ii) The Gold Coast and Sierra Leone have doubled both the external and internal rates.

(iii) The Gambia has made no change in its postal rates.

(*b*) *Parcel Post.*—All the Colonies have, this year, substantially increased their British and Inter-Colonial rates, viz., from 1*s.*, 2*s.* and 3*s.* to 2*s.*, 3*s.* and 4*s.* for the three usual classes.

(*c*) *Telegrams.*—The inland telegraph rates for 12 words have recently been increased to 1*s.* in Nigeria, the Gold Coast and Sierra Leone. On the Freetown-Sherbro line the rates have been increased 50 per cent. There is no inland telegraph service in the Gambia.

NOTE.—Telegraph revenue in Sierra Leone is brought to account under the head " Railway," as the service is administered by that Department.

19. Licences.

In each of the four Colonies a certain amount of revenue is collected in the form of licences, *e.g.*, on arms, auctioneers, boats and canoes, dogs, druggists, forest produce, game, gunpowder, hawkers, hunting, letter writers, liquor, marriage, mining, motor and other vehicles, petroleum, steamers, stores, timber, &c. Details of these are given in the Annual Blue Books of the respective Colonies. As

an illustration, the following are the particulars of the licences for motor vehicles :—

	£	s.	d.
Nigeria—			
Motor cycles	1	0	0
Motor vehicles whose unladen weight does not exceed 30 cwt.	4	4	0
Do. do. exceeding 30 cwt., but not exceeding 50 cwt.	8	8	0
Do. do. exceeding 50 cwt.	30	0	0
Gold Coast—			
Motor cycle	1	0	0
Passenger motor cars not exceeding 13 cwt. net weight	2	2	0
Passenger motor cars exceeding 13 cwt. ..	6	6	0
Motor lorries	3	3	0

NOTE.—There is no duty on the importation of motor vehicles into Nigeria or the Gold Coast. Motor vehicles for the conveyance of passengers are subject to an import duty of 25 per cent. in Sierra Leone, but other motor vehicles are free. Motor cars imported into the Gambia pay an import duty of £5 each and motor cycles £1 each.

20. Fees of Court or Office, Fines of Court, Payments for Specific Services and Reimbursements-in-aid.

Under this head (which includes fees of all kinds, water-rates, payments for police, prison labour, &c.) an important item is—

Stamp Duties.—These are of varying amounts and are levied on the following among other documents :—Agreements, bills of exchange (including cheques), bills of lading, contracts, conveyances, leases, mortgage bonds, notarial acts, powers of attorney, receipts, &c.

In the Gold Coast and Sierra Leone the stamp duty on cheques and receipts has this year been raised from 1*d.* to 2*d.* There are no stamp duties in the Gambia.

Revenue, which in the case of Nigeria reaches a substantial figure, is also collected from Fines and Fees of Court. The figures for 1919 and 1920 in the case of Nigeria are as follows :—

	Fines of Court.	Fees of Court.
Nigeria—	£	£
1919	95,073	66,637
1920	112,390	65,135

It should be noted that, in Nigeria, Native Court Fines and Fees collected in those Provinces in which direct taxation is in force are credited to the Native Treasuries. It is only in those of the Southern Provinces where no direct taxation is imposed that Native Court Revenue, which makes up practically the whole of the revenue under the head " Fines and Fees of Court," is credited to the General Revenue.

In the case of the other West African Colonies the revenue derived from Fines and Fees of Court in 1919 and 1920 is as follows :—

Gold Coast—	Fines and Fees of Court combined.	
1919	£8,184.	
1920	£5,000 (estimated).	
Sierra Leone—	Fines of Court.	Fees of Court.
1919	£1,665	£1,454
1920	£850 (estimated)	£1,300 (estimated)
Gambia—	Fines of Court.	Fees of Court.
1919	£2,018	£475
1920	£1,700 (estimated)	£350 (estimated)

21. **Royalties.**

(1) *Nigeria*—

(*a*) The royalty on tin is levied according to a sliding scale based on the market price in London. Thus it varies from 2 per cent. on the value when the London price is less than £180 per ton to 10 per cent. on the value when the London price is £300 per ton or upwards.

(*b*) There is also a royalty varying from $2\frac{1}{2}$ per cent. to $7\frac{1}{2}$ per cent. on wolfram ore and royalties of different amounts on lead ores or metallic lead, iron ores or metallic iron, gold and other precious metals.

(*c*) Trees can only be taken for sale or export from protected forests in Nigeria on payment of—

(1) A licence fee of £8, payable quinquennially, plus

(2) A fee per tree varying according to the class of tree (for 1st class trees, including mahogany, the fee is 46*s*.), plus

(3) A royalty per tree, varying similarly (for 1st class trees it is 10*s*.).

(ii) *Gold Coast*.—Mining concessions have to pay a duty of 5 per cent. on the nett annual profits. The Ashanti Gold Fields Corporation pays a fixed annual sum.

(iii) There are no royalties in Sierra Leone or the Gambia.

22. **Miscellaneous.**

(i) *Port or Harbour Dues*—

(*a*) In Nigeria (Port of Lagos) all freight-paying imports are charged with " harbour dues " at a flat rate of 4*s*. per ton. Exports pay at varying rates, *e.g.* :—

Tin ..	
Beeswax	4*s*. per ton.
Shea butter	
Palm kernels	
Palm oil ..	6*s*. 3*d*. per ton.
Ground-nuts	

Cocoa	7*s.* 3*d.* per ton.
Coconuts	16*s.* per ton.
Hides and skins	£1 per ton.
Piassava fibre	£1 6*s.* 8*d.* per ton.

NOTE.—The ships pay no port dues, but have to pay charges for berthage, towage, pilotage, buoyage, &c.

(*b*) There are at present no Port or Harbour dues in the Gold Coast, but it is proposed to levy (in respect of the Takoradi Harbour, when constructed) Harbour dues of 6*d.* per registered ton on ships, and Port dues on cargo at rates varying from 3*s.* to 5*s.* per ton.

(*c*) In Sierra Leone and the Gambia dues are levied on ships entering the harbours, but no dues are levied on cargoes. In Sierra Leone the dues on ships are termed "Harbour dues"—in the Gambia they are styled "Port dues."

(ii) *Light Dues.*—A proposal is under consideration in the Gold Coast to double the light dues, which are at present 2*s.* for each 25 tons register, payable once in three months in respect of any ship. The estimated revenue for 1921 from this source (at present rates) is £2,000.

The rate in Nigeria is 2*d.* per ton register, payable once in two months.

The rate in Sierra Leone is 3*d.* per ton register, payable once in three months, but 2*s.* per ton on cargo not exceeding 100 tons landed or loaded.

There are no light dues in the Gambia.

(iii) *Produce Inspection Fees.*—In Nigeria fees of 6*d.* per ton on palm produce and 1*d.* per cwt. on cocoa are levied at the time of export to defray cost of the inspection, designed to preserve a minimum standard of quality.

There is no inspection of hides and skins.

23. The salient facts, to which special attention should be drawn in connection with the foregoing statement, are :—

(*a*) That the Gold Coast is entirely, and all the British West African Possessions are mainly, dependent for their revenue upon indirect taxation ; direct taxation, even in Nigeria, where it has been most extensively levied, yielding of recent years only from 7·7 per cent. to 13·3 per cent. of the total Revenue collected ;

(*b*) That Customs Revenue forms by far the most important source of revenue in all the Colonies and Protectorates concerned ;

(*c*) And that, though the duties levied upon imports are the principal source of Customs Revenue, the revenue derived from export duties now represents a considerable percentage of the total Customs Revenue of these Colonies and Protectorates.

III.—THE PRESENT FINANCIAL POSITION OF THE BRITISH WEST AFRICAN COLONIES AND PROTECTORATES.

24. Considerable difficulty is experienced in instituting any exact comparison between the pre-war and the present financial positions of these Colonies and Protectorates. Up to and including 1913, their revenues showed a steady annual increase, and with the exception of Northern Nigeria, which was in receipt of a grant-in-aid from the Imperial Treasury up to 1918, they were all of them financially self-supporting.

25. In Nigeria, the outbreak of war brought about an immediate decline in the revenue, from which no complete recovery was made until 1917, the figures* being as follows :—

Year.	Revenue.
	£
1913	3,178,000
1914	3,048,000
1915	2,703,000
1916	2,831,000
1917	3,450,000
1918	4,014,000
1919	4,911,000
1920	6,738,000

26. The decline of the revenue from 1914 to 1916 was mainly due to the falling off in the quantities of " trade " spirits normally imported into Nigeria, which, before the War, were mainly of Dutch and German origin, and the recovery in 1917 and 1918 was the result of the imposition of export duties on produce, synchronising with the increased demand for palm oil and palm kernels occasioned by the War. The years 1919 and 1920 were a period of altogether abnormal commercial activity, during which highly inflated prices ruled alike in the import and export markets, and no calculations based upon the figures for those two years can be taken as a reliable indication of the revenue upon which the Government of Nigeria can safely count in the near future. The revised estimate of revenue for the current financial year—viz., from 1st April, 1921, to 31st March, 1922—is to-day placed at £4,300,000, a sum which falls short of the actual revenue collected during 1919 by more than £600,000, and that for 1920 by £2,438,000.

27. Meanwhile, the ordinary recurrent expenditure of the Government of Nigeria has increased in the manner shown by the following figures :—

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* Loan works are sometimes temporarily financed from revenue or surplus balances, the sums so spent being reimbursed to the Treasury as soon as a fresh loan is raised. The sums so reimbursed are not included in the figures here given.

Year.	Recurrent Expenditure. £
1913	2,258,000
1914	2,333,000
1915	2,384,000
1916	2,792,000
1917	2,831,000
1918	3,108,000
1919	3,795,000
1920	4,642,000

28. Figures are available for the recurrent expenditure of Nigeria only for the first five months of 1921, but these amount to £1,885,000, which is at the rate of £4,524,000 per annum, a sum which exceeds the revised estimate of revenue by £224,000. For the same period of five months the extraordinary and special expenditure met from revenue also amounted to £413,000, which is at the rate of £991,000 *per annum*, and though it is probable that the whole of the latter sum will not be spent, the expenditure for the year which ought to be met from revenue bids fair to exceed the year's collections by a very large amount. The immediate deficit will be met from current balances, which on 1st April, 1921, amounted to £3,189,000, but it is obvious that the financial position, thus disclosed, is very serious.

29. In the Gold Coast the outbreak of war did not cause an immediate decline of revenue, the figures* being as follows :—

Year.	Revenue. £
1913	1,302,000
1914	1,332,000
1915	1,456,000
1916	1,836,000
1917	1,624,000
1918	1,299,000
1919	2,601,000
1920	3,722,000

30. The fact that the imports of spirits into the Gold Coast largely consisted before the War of rum from America, the further fact that cocoa continued to find its way to Continental markets until the end of 1916, and the general increase in Customs duties and in railway rates in 1915 account for the revenue of this Colony continuing steadily to increase during the first years of the War. The decline in the revenue in 1917, and the much more considerable drop in 1918, were due to lack of shipping facilities for the export of cocoa, preference being at that time given to palm oil and palm kernels. The fall would have been much greater had not a considerable direct trade been established between the Gold Coast and the United States, and the financial situation was further saved for the Gold Coast by the

* Loan works are sometimes temporarily financed from revenue or surplus balances, the sums so spent being reimbursed to the Treasury as soon as a fresh loan is raised. The sums so reimbursed are not included in the figures here given.

imposition of an export duty on cocoa in October, 1916. The increase of revenue in 1919 was in some measure due to stocks of cocoa, which had accumulated during 1918, owing to lack of facilities for shipping them, being exported during the former year. As has been noted in the case of Nigeria, the years 1919 and 1920 must be regarded as quite abnormal; yet even during the current year the Gold Coast has been able to export large quantities of cocoa in spite of the great depression in trade, and this, combined with a further increase of taxation imposed in February last, has produced a revenue during the months January to September, 1921, amounting to £1,875,270, which would give a revenue for the twelve months amounting to, say, £2,500,000, a sum which very nearly approximates to the revenue actually collected in 1919.

31. On the other hand, the ordinary recurrent expenditure of the Government of the Gold Coast has increased in the manner shown by the following figures :—

Year.	Recurrent Expenditure.
	£
1913	902,000
1914	1,034,000
1915	1,074,000
1916	1,139,000
1917	1,161,000
1918	1,162,000
1919	1,549,000
1920	2,249,000

32. Figures showing the ordinary recurrent expenditure for the first nine months of 1921 are not available; but the total expenditure for that period amounts to £2,619,000, which is at an annual rate of £3,492,000. Of the former of these two sums it would appear that at least £430,000 has been spent upon extraordinary, as opposed to recurrent, services during the first six months of 1921, which gives an average for the year of, say, £860,000. If this sum be deducted from the probable total expenditure for 1921, the recurrent charges for the year may be estimated at about £2,632,000, a sum which exceeds the probable revenue, as shown above, by £132,000. This deficit is not large, and will be met from surplus balances, which on April 1st, 1921, were calculated at £2,194,000; but it would appear that, at the present time, even the Gold Coast, which is the most financially prosperous of all the British West African Colonies, is not collecting sufficient revenue to cover its ordinary recurrent charges.

33. In Sierra Leone, the outbreak of war caused an immediate decline of revenue, from which no complete recovery was made until after the conclusion of hostilities. The figures* are as follows :—

* Loan Works are sometimes temporarily financed from revenue or surplus balances, the sums so spent being reimbursed to the Treasury as soon as a fresh loan is raised. The sums so reimbursed are are not included in the figures here given. The Government of Sierra Leone has also expended a considerable sum on water works at Freetown, which is being gradually repaid by the Freetown Water Authority; the sums so repaid are similarly omitted from the figures of revenue given.

Year.	Revenue.
	£
1913	618,000
1914	497,000
1915	504,000
1916	551,000
1917	536,000
1918	573,000
1919	749,000
1920	988,000

34. Here, again, the figures for 1919 and 1920 must be regarded as altogether exceptional. The actual revenue collected by the Government of Sierra Leone during the first eight months of the current year amounted to £420,000, which is at the rate of £630,000 per annum.

35. It must be noted, however, that the Export Duty on palm kernels was suspended from February to August, 1921, and that the revised estimate of revenue for the current year is placed at £695,000, a sum which falls short of the revenue collected in 1919 by £54,000, and that collected in 1920 by £293,000.

36. The fact that the Port of Freetown was made a Naval Base from 1916 to the end of hostilities, during which period large sums were disbursed locally by the Naval and Military Services, reacted favourably on the import trade and customs revenue of the colony.

37. Meanwhile, the ordinary recurrent expenditure of the Government of Sierra Leone has increased in the manner shown below :—

Year.	Recurrent Expenditure.
	£
1913	436,000
1914	503,000
1915	465,000
1916	512,000
1917	504,000
1918	518,000
1919	710,000
1920	760,000

38. The ordinary recurrent expenditure for the first eight months of 1921 amounted approximately to £421,000, which is at the rate of £631,000 a year. For the same period the extraordinary and special expenditure met from revenue amounted to £177,000, which is at the rate of £265,000 a year; the total rate of expenditure from January to August inclusive has thus been £896,000 a year. The Acting Governor of the Colony now anticipates that this rate will be exceeded during the latter part of the year and that the total expenditure will amount to £999,000, inclusive of £60,000 set aside for depreciation of investments. The deficit on the year's working is thus estimated at £304,000. This will be met from surplus balances, which on the 31st December, 1920, stood at £484,000. They will, however, almost entirely disappear in the process, as at the end of the year, although

an actual excess of assets over liabilities to the amount of £180,000 is anticipated, only £8,000 of this sum will be realizable in cash, the remainder being locked up for the most part in unallocated stores.

39. In the Gambia there was an immediate decline in the revenue, from which no complete recovery was made until 1918. The figures are as follows :—

Year.	Revenue.
	£
1913	125,000
1914	86,000
1915	92,000
1916	103,000
1917	118,000
1918	133,000
1919	181,000
1920	270,000

NOTE.—1913 was an exceptional year, the revenue for the two preceding years being as follows :—

	£
1911	86,000
1912	96,000

The revenue collected during the first nine months of the current year amounted to £148,000, which is at the rate of about £200,000 for the year, a sum which exceeds the revenue collected during the last year before the War by £75,000.

40. The ordinary recurrent expenditure has been as follows :—

Year.	Recurrent Expenditure.
	£
1913	63,000
1914	78,000
1915	69,000
1916	73,000
1917	75,000
1918	79,000
1919	118,000
1920	105,000

41. The recurrent expenditure for the first nine months of the current year amounted to £113,000, which is at the rate of, say, £151,000 for the complete twelvemonth ; but the total expenditure for the period was £142,000, and was covered by the revenue collected, though the margin amounted to only £6,000. The Gambia had surplus balances to its credit estimated at £231,000 on the 1st January, 1921.

42. In considering the foregoing figures it is necessary, in order to appreciate more accurately the true financial position of the West African Colonies at the present time, to note the fact that the recurrent expenditure, the figures of which have been cited, does not include many charges which, though they are of an occasional and not of an annually recurrent character, have none the less to be met from the current revenue of the year during which they are incurred.

43. Under the head " Recurrent Expenditure " are classed salaries, pensions, cost of passages, travelling and office expenses, essential annual maintenance and renewals, and contingencies and interest and sinking funds on Loans, viz., the charges which, taken together, represent the minimum expenditure on which the public service can be carried on.

44. " Extraordinary Expenditure " is of three descriptions, viz., " Special Expenditure," " Extraordinary Expenditure " which is met from the current revenue of the year during which it is incurred, and " Extraordinary Expenditure " which is met from the loans specifically raised to pay for certain major public works.

45. " Special Expenditure " includes additions, renewals and replacements which, though they are not annually recurrent, are in many cases none the less essential to the maintenance of the public service, and are often no less unavoidable than are the charges classed under the head " Recurrent Expenditure." As instances of this class of expenditure may be cited the large post-war indents, which were placed at the end of 1918 and early in 1919, to bring the locomotives and rolling stock of the railways up to the necessary strength, the payments for which have to be met as they fall due ; the re-arming and re-equipping of the West African Frontier Force ; new telephone exchanges, instruments, &c. ; new machinery for the Nigerian Colliery, &c.

46. " Extraordinary Expenditure " met from current revenue includes new roads and bridges, road extensions, new buildings of every description, sanitary improvements, and all similar public works the cost of which is not defrayed from loans specially raised for the purpose.

47. Under a drastic scheme of retrenchment, works of the last-named description could be eliminated or greatly reduced ; but many of the items included under " Special Expenditure " are not susceptible to similar treatment, and in some instances represent commitments which the Governments concerned are compelled to meet.

48. Owing to the fact that the terms of reference do not enable the Committee to attempt any detailed examination of the expenditure of the Governments concerned, the foregoing review of the existing financial positions of these Governments is inevitably incomplete, and it is necessary to emphasise the fact that the " Recurrent Expenditure " is not to be regarded as an inclusive estimate of the actual, unavoidable expenditure to which these Governments are committed.

IV.—PROHIBITION OF THE IMPORTATION OF " TRADE " SPIRITS AND ITS EFFECT UPON THE REVENUES OF THE BRITISH WEST AFRICAN COLONIES.

49. Before proceeding further it is necessary to examine the effects produced upon the financial positions of the British West African Colonies by the decision of His Majesty's Government to prohibit the importation of " trade " spirits into these territories. This

decision was arrived at immediately after the conclusion of hostilities, and took effect early in 1919.

50. The following table shows in thousands of pounds the total Customs revenue of each of the Colonies concerned for the three years immediately preceding the outbreak of the War, and for the first complete year following the adoption of the prohibition policy, and also the revenue derived from spirits during each of the years in question :—

Year.	Nigeria.		Gold Coast.		Sierra Leone.		Gambia.	
	T.C.R.*	S.R.†	T.C.R.*	S.R.†	T.C.R.*	S.R†.	T.C.R.*	S.R.†
1911 ...	1,467	976	663	422	242	121	68	10
1912 ...	1,610	1,015	735	470	301	161	73	12
1913 ...	1,773	1,140	780	502	317	167	98	18
1920 ...	3,126	243	2,282	141	630	86	201	7

* Total Customs Revenue. † Spirits Revenue.

During the current year the amounts of the import duties which will be collected by the four Governments concerned on account of spirits are calculated at £216,000 in Nigeria, £236,000 in the Gold Coast, £43,000 in Sierra Leone, and £6,000 in the Gambia. (*See* Appendix I.)

51. From the above figures it will be seen that the receipts on account of spirit duties collected by the four Governments concerned during 1920 fell short of the receipts on the same account for 1913 by the following amounts :—

	£
Nigeria	897,000
Gold Coast	361,000
Sierra Leone	81,000
Gambia	11,000

The actual effect upon the revenues of the Colonies concerned was, however, much greater than these figures would at first sight appear to indicate. Not only must allowance be made for the higher value of money in 1913, compared with its value at the present time, but the import duties on spirits have been progressively increased since the beginning of 1913 from 6*s.* 3*d.* to 25*s.* per gallon of a strength of 50 per cent. pure alcohol, which is now the uniform rate throughout these Colonies.

52. The gravity of the loss was, moreover, increased by the fact that the sudden adoption of the prohibition policy deprived the Colonies concerned of what before the War had represented from 50 per cent. to 66·9 per cent. of their Customs revenue, except in the case of Gambia, which already had an export duty ; that this source of income possessed great elasticity, as it was possible to increase the duties without appreciably affecting the volume of spirits imported ; and that experience showed that, even in times of great depression of trade, the imports of spirits remained more or less constant, and, indeed, showed a tendency annually to increase. The West African Colonies lost, therefore, without warning or preparation, half, and in

some cases more than half, of their Customs revenue, which, as has been pointed out, is their principal source of income, that half being the portion of their imports the volume of which could be most securely counted upon, and the duties levied upon which were capable of the largest periodic increases.

53. The decision so come to effected a sudden and violent revolution in the fiscal systems of the British West African Colonies, and though the high prices that ruled during 1919 and 1920, and the abnormal commercial activity of those years, served to tide the Governments concerned over the immediate difficulty, the full effects of the exclusion of so-called " trade " spirits are now making themselves felt with the financial results which have already been noted.

V.—ACTION OF THE FRENCH GOVERNMENT IN RELATION TO THE PROHIBITION OF THE IMPORTATION OF "TRADE" SPIRITS INTO THE WEST AFRICAN COLONIES.

54. In March, 1919, the Secretary of State for the Colonies issued directions to the British West African Colonial Governments to prohibit the importation into their respective Colonies of " trade " spirits, the bulk of which before the War had been of Dutch, German or American origin.

55. Advantage was taken of the presence in Paris of the representatives of other Powers concerned to discuss the question of the control of the liquor traffic in Africa internationally, and on the 10th of September, 1919, the Convention of St. Germain was concluded.

56. On the 8th of July, 1919, the French Government promulgated a Ministerial Decree interdicting the importation into French West Africa of all foreign spirits, viz., of all spirits that were not of French origin.

57. Under the French Colonial constitution, legislative powers are vested in the metropolitan Government, and orders are given to the French Colonial Governments by means of publication in Official Gazettes. The publication of this Ministerial Decree in Paris would be automatically translated into Colonial law on the receipt of the publication containing it in the headquarters of a group of Colonies. Thus the receipt of the publication containing this Ministerial Decree at Dakar (the headquarters of the Government of French West Africa) automatically made prohibition enforceable by law in Senegal. In order to make it law in the other French Colonies in the West African group, it is necessary that this Decree should be reproduced by the Governor-General in the Official Journal of French West Africa ; and in the case of Dahomey, for example, prohibition would become law in that Colony on the receipt by the Lieutenant-Governor of the copy of the French West African Official Journal containing the Governor's Decree issued under that of the Minister.

58. This particular Decree was actually published in the *Journal Officiel de l'Afrique Occidentale Française*, and the copy of it was received in Porto Novo on the 29th August, 1919. The Lieutenant-Governor thereupon gave notice to the effect that all foreign spirits were

prohibited to be imported excepting those which were shipped from their port of despatch before 29th August, 1919.

59. Unfortunately, the decree in question allowed the importation of alcohol from the French West Indies, and other cane-producing French Colonies, without any discrimination as regards its quality or description.

60. In the opinion of the British merchants, this did not meet the case, and it moreover appeared to constitute, as regards Dahomey and the Ivory Coast, a breach of the Franco-British agreement of the 14th June, 1898. A protest was accordingly lodged by His Majesty's Ambassador at Paris, and as a result the French Government lifted the prohibition on foreign spirits by a Ministerial Decree published in Paris on 25th March, 1920.

61. It is to be regretted, however, that they did not see fit to take any further steps, so that the result of their action was merely to restore the *status quo ante*. No further action was taken by the French Government until early in 1921, and it was said that the reason for this delay was the difficulty experienced in framing a definition of "trade" spirits, which would embrace all the types of liquor which it was desired to prohibit, following the spirit of the Convention of St. Germain. In January, 1921, the merchants in Dahomey received an unofficial warning from the Lieutenant-Governor that the prohibition in that Colony was really about to be made effective. This officer informed the trade that the full text of the Convention would be applied, and that prohibition would extend not only to import, but also to sale as well, and that he desired to give the merchants a hint in order that they might liquidate their stocks and cease importations.

62. It is desirable to point out that from the date of the publication of the Convention up to this point in the history of the proceedings, there had been practically no diminution in the volume of spirit imports into the French West African Colonies, and that consequently large stocks were held in those Colonies by French merchants. The Lieutenant-Governor next gave out that it was the intention to apply the prohibition of import from the moment of the receipt of the published Decree in the Official Journal, and that from that date six months would be allowed to merchants to re-export their stocks under drawback of duty, or to sell them.

63. This news caused something in the nature of a panic in French West African commercial circles. The importation had been such that in April, 1921, the French Porto Novo merchants declared to the Government that they still held in stock over 1,000,000 litres of alcohol. They asked for longer notice in order to enable them to realise these large stocks without undue loss.

64. On April 10th, 1921, Monsieur Merlin, the Governor-General of French West Africa, paid a visit to Dahomey. He gave an audience to a deputation of the local representatives of the West African trade. The Governor-General informed the French merchants very clearly that he was personally in favour of prohibition; that the publication of the Decree was imminent; and that no liquidation delay other than that already announced would be given; and he informed the French merchants definitely that, if they incurred a loss, they had themselves

alone to blame, since they had gambled and lost, as they had known well enough for at least two years that prohibition was liable to come at any moment, and had already been advised to cease their operations in this traffic. He informed the French merchants that the Decree of prohibition would probably be published on his return to Dakar, and that it would be effective immediately on receipt of the *Journal Officiel de l'Afrique Occidentale Française* in Porto Novo.

65. A telegram from the Governor-General to the Acting Lieutenant-Governor of Dahomey was circulated to the merchants stating that the Governor-General had been informed from Paris that the Minister had signed the prohibition on the 15th May ; that on receipt of that publication in Dakar the Decree would be published in the *Journal Officiel*, so that it would automatically become law on the arrival of the latter in Dahomey. The Governor-General desired the Acting Lieutenant-Governor to inform merchants of this, and also to say that no grace would be allowed for the sale of stocks.

66. Despite all this, the publication in the Journal has never been effected, and the last advice from the Coast states that imports are still going on in great volume, and that there is no sign whatever of anything in the nature of prohibition being enforced. In the month of August, 1921, for instance, according to figures published by *La Depêche Coloniale*, dated the 9th November, 1921, 5,547 hectolitres (*i.e.*, approximately 123,000 Imperial gallons) of alcohol were imported into Dahomey.

67. In Togoland there is a somewhat different position. During the British Military occupation spirits were permitted to be imported up to just after the publication of the Convention of St. Germain, when absolute prohibition of " trade " spirits was enforced. France assumed charge of the greater part of the German colony of Togoland, and a French local government took over the administration from the British, on October 1st, 1920.

68. One of the earliest acts of the French Government after its assumption of the administration of the ceded area in Togoland was to lift by local proclamation, on or about October 20th, 1920, the prohibition of the importation of " trade " spirits, which had been enforced by the Government of the Gold Coast, and thereafter " trade " spirits were allowed freely to enter the country, and their importation is continuing to this day.

69. This has had the effect, not only of undoing all that the British administration had accomplished in accustoming the native population to do without " trade " spirits, but of stimulating an illicit trade across the frontier, which is providing a menace to the revenue and to the good government of the Gold Coast, the boundary of which is distant only about one mile from Lome, the chief port of entry of Togoland.

70. The position thus created in Togoland constitutes, it would appear, an omission to fulfil the terms of the Convention of St. Germain, and this remark applies equally to the action taken in Dahomey. It would also seem to be contrary to the proposed terms of the Mandate under which their portion of Togoland is eventually to be administered by the French Government.

71. As regards the British West African Colonies, this Committee desires to point out that the omission of the French Colonial Governments to observe the terms of the Convention of St. Germain is materially prejudicing British trade and administration. There is evidence that large quantities of " trade " spirits are being smuggled from French into British territory, to the serious prejudice of British purchasing power. This is also causing anxiety and expense to the British Colonial Governments, which are doing all that they can to prevent this illicit trade. Owing to the proximity of Togoland to the Gold Coast and of Dahomey to Nigeria, however, and to the absence in either case of any formidable natural boundaries between these Colonies, the prevention of spirit-smuggling is impossible so long as there is no full and forceful co-operation in the carrying out of the proposed spirit policy between the French and British Governments.

72. The following table compares the spirit duties in force in the British and French West African Colonies respectively, and it must, moreover, be borne in mind that in the British Colonies effective steps are taken to prevent the legal importation of immature and inferior spirits.

COMPARISON OF SPIRIT DUTIES.

(Exchange calculated at the rate of 50 francs to the £).

Commodity.	Strength.	Gold Coast and British Togoland.	French Togoland.	Dahomey.	Nigeria.
		Per Gall.			Gall.
Whisky ...	44 deg. Tr. 23 deg. u.p.	23*s.*	1*s.* 1½*d.* per litre = 5*s.* 1½*d.* per gall.	8·80 fr. per litre = 16*s.* per gall.	23*s.*
Gin	46 deg. Tr. 20 deg. u.p. *unsweetened.*	23*s.* 8*d.*	1*s.* 2*d.* per litre = 5*s.* 3½*d.* per gall.	9·90 fr. per litre = 18*s.* per gall.	23*s.* 8*d.*
	sweetened.	25*s.*	1*s.* 2½*d.* per litre = 5*s.* 6*d.* per gall.	Do.	25*s.*
Brandy ...	43 deg. Tr. 25 deg. u.p. *unsweetened.*	22*s.* 8*d.*	1*s.* 1¼*d.* per litre = 5*s.* 0½*d.* per gall.	8·80 fr. per litre = 16*s.* per gall.	22*s.* 8*d.*
	sweetened.	40*s.*	1*s.* 2½*d.* per litre = 5*s.* 6*d.* per gall.	Do.	25*s.*
Rum	44 deg. Tr. 23 deg. u.p. *unsweetened.*	23*s.*	1*s.* 1½*d.* per litre = 5*s.* 1½*d.* per gall.	8·80 fr. per litre = 16*s.* per gall.	23*s.*
	sweetened.	40*s.*	1*s.* 2½*d.* per litre = 5*s.* 6*d.* per gall.	Do.	25*s.*
Liqueurs and alcoholic bitters		25*s.*	1*s.* 2½*d.* per litre = 5*s.* 6*d.* per gall.	9·90 fr. per litre = 18*s.* per gall.	25*s.*

73. The low rates of duty and the absence of restrictions upon the quality and description of the liquor imported into the French Colonies operate as a direct incentive to natives in British territory to carry their produce to neighbouring French markets, where also the export duties are lower than those in force in the British Colonies.

74. The export duties in the French Colonies compare with those in the British Colonies to-day as follows :—

	Dahomey.		French Togo-land.	Gold Coast and British Togo-land.	Nigeria.
		per ton. £ *s.* *d.*	per ton. £ *s.* *d.*	per ton. £ *s.* *d.*	per ton. £ *s.* *d.*
Cocoa	Nil.	—	Nil.	4 13 4	2 6 8
Palm Oil	Export tax, £1 0*s.* 1*d.* Production tax, 12*s.* 2*d.*	1 12 3	Nil.	Nil.	3 0 0
Kernels	Export tax, 10*s.* 0½*d.* Production tax, 7*s.* 4*d.*	0 17 4½	Nil	Nil	2 0 0

[N.B.—The rate of exchange is taken at 50 frs. to the £ and the weight at 1,016 kilos. to the ton.]

75. Moreover, natives from British Colonies during their trading visits to French territory, in addition to purchasing cheap " trade " spirits of a character and description the importation of which is prohibited in their own country, are naturally induced to buy other goods to the detriment of the trade in the British Colonies.

76. The Committee desires to emphasise the fact that the absence of a resolute, uniform, international policy, alike as regards the quality and description of the liquor to be imported and the duties to be imposed thereon, is defeating the objects aimed at when the decision was arrived at by His Majesty's Government to prohibit the importation of " trade " spirits into the British West African Colonies, and is also adversely affecting British trade in these Colonies ; and it respectfully but earnestly urges the necessity of immediate steps being taken to endeavour to secure the adoption of such a policy by both the British and the French Governments.

VI.—LETTER FROM THE NATIVE RACES AND THE LIQUOR TRAFFIC UNITED COMMITTEE.

77. A letter which has been addressed to this Committee by the Native Races and the Liquor Traffic United Committee is printed with the evidence given before the Committee.

78. In this letter statistics are given showing the enhanced value of the trade of the British West African Colonies during the seven years ending 1920, as compared with the value of the trade of these

Colonies during the seven years ending 1913 ; the figures show that this increase has been shared by all the four Colonies ; that the value of the trade for the five years ending 1918 almost equalled the value of the trade for the seven years ending 1913 ; and that the value of the trade of these Colonies for the two years 1919 and 1920, during which the prohibition of the importation of " trade " spirits was in force, fell short of the value of the trade for the seven years ending 1913 by only some 13½ millions sterling.

79. In the opinion of this Committee, the figures referred to in the letter under discussion are worthless for purposes of comparison inasmuch as they deal only with *values*, which became greatly inflated after the outbreak of war and rose to unprecedented heights during 1919 and 1920.

80. The Native Races and the Liquor Traffic United Committee also puts forward statistics showing the revenue collected during the above named periods, and points to the fact that the highest revenues were collected during 1919 and 1920, the two years during which the prohibition of the importation of " trade " spirits was in force.

81. This Committee is of opinion that large revenues collected between 1914 and 1920, and especially during 1919 and 1920, were due to temporary and abnormal circumstances combined with the imposition of extensive new taxation, and that the inference which is apparently suggested that the adoption of the prohibition policy was in any way responsible for, or a contributory factor to, this increase is contrary to the facts.

82. The letter next points to the increased quantities of produce exported from West Africa during the seven years ending 1920, as compared with the quantities exported during the seven years ending 1913.

83. This takes no account of such facts as that the large increase in cocoa exports from the Gold Coast were mainly due to extensive new areas under cocoa coming into bearing during the later of the two above-named periods ; or that the increase of Nigerian ground-nut exports from a yearly average of about 7,600 tons during the three years immediately preceding the War to an annual average of more than 48,000 tons for the five years 1916 to 1920 was due to the development in an article, which in Nigeria is exclusively produced by a Mohammedan population, of a new export trade, which was not affected in any way by the new policy with regard to liquor.

84. The letter next attributes the transfer of the trade in palm kernels from Germany to Great Britain to " the diminution or cessation of the Continental spirit trade." As is well known, this was due to the facts that palm kernels were not allowed to be shipped to Germany during the War, and that from October, 1919, there has been in force a £2 differential duty imposed on every ton of palm kernels shipped from British West Africa to any save British ports.

85. The Native Races and the Liquor Traffic United Committee also states that it feels "that the revenue has not increased as it should have done with the great increase in trade." That increase of trade, however, has not proved to be permanent, and the problem with which the Governments of the British West African Colonies are to-day confronted is how to raise sufficient revenue to cover their normal recurrent expenditure, having regard to the greatly increased cost of all services, the depressed conditions of the markets, and the loss of a source of revenue which before the War represented half, or more than half, of their Customs receipts.

86. This Committee, for the reasons above stated, is unable to regard the letter in question as a serious contribution to the discussions upon which it is engaged.

VII.—EXPORT DUTIES ON PRODUCE.

87. Export duties on produce were first imposed in Nigeria and in the Gold Coast in October, 1916, and in Sierra Leone in January, 1918. An export duty on ground-nuts has been in force in the Gambia since 1899.

88. The following table shows the variations in the export duties in the British West African Colonies since their introduction :—

Article.	Nigeria.	Gold Coast.	Sierra Leone.	Gambia.
Cocoa ...	Per ton. Oct., 1916— £2 6*s.* 8*d.* (No change)	Per ton. Oct., 1916— £2 6*s.* 8*d.* Oct., 1917— £1 17*s.* 4*d.* Aug., 1919— £4 13*s.* 4*d.*		
Palm oil ...	Per ton. Oct., 1916— £2 Feb., 1920— £3		Per ton. Jan., 1918— 10*s.* 5*d.* June, 1919— £2 1*s.* 8d. Jan., 1920— £4 3*s.* 4*d.*	
Palm kernels	Per ton. Oct., 1916— £1 2*s.* 6*d.* Feb., 1920— £2		Per ton. Jan., 1918— 10*s.* June, 1919— £1 2*s.* 6*d.* Jan., 1920— £2 5*s.* 0*d.* May, 1920— £2 10*s.* 0*d.* June, 1920— £2 15*s.* 0*d.*	

Article.	Nigeria.	Gold Coast.	Sierra Leone.	Gambia.
Palm kernels—*contd.*			Per ton. July, 1920— £3 0*s.* 0*d.* Feb., 1921— Removed Aug., 1921— 10*s.* Sept., 1921— £1 0*s.* 0*d.*	
Ground-nuts...	Per ton. Jan., 1918— 10*s.* Feb., 1920— £1 0*s.* 0*d.*			Per ton. 1899— 6*s.* 8*d.* Nov., 1920— £1 0*s.* 0*d.*
Hides and skins	Per lb. Jan., 1918— Tanned, 3*d.* Untanned or haired, 2*d.*			
Palm kernel oil	Per ton. Dec., 1919— £2 0*s.* 0*d.* Feb., 1920— £3 0*s.* 0*d.*			
Kola		Per ton. Feb., 1921 £4 13*s.* 4*d.* (No change)	Per ton. Jan., 1918— £4 13*s.* 4*d.* (No change)	
Timber ...		Per cubic ft. Feb., 1921— 2*d.* (No change)		
Diamonds ...		Nov., 1919— 5 per cent. *ad valorem*		
Gum copal ...			Per lb. Dec., 1919— 3*d.*	
Tin	50 per cent. of maximum royalty payable, if not smelted in the U.K. or BritishPossessions.			

NOTE.—The export duty on tin in Nigeria has not produced any revenue as none has been exported outside the Empire.

89. The above table does not include the differential export duty on palm kernels, which was imposed in all four Colonies in the latter part of 1919, and is additional to any export duty on palm kernels shown.

90. These export duties on produce were originally imposed, except in the Gambia, as a war measure, designed to supplement the revenue which the circumstances of the time were threatening with decline, and it was the hope of the Governments concerned that it would be found possible to abolish them when peace returned. The decision of His Majesty's Government to prohibit the importation of "trade" spirits into British West Africa inflicted upon the revenue of the Colonies concerned so heavy a permanent loss, however, that the export duties had to be retained and increased.

91. The financial results of the imposition of export duties on produce in substitution for the revenue formerly derived from duties on "trade" spirits may briefly be summarised as follows :—

	£
In Nigeria—	
The largest revenue yielded by export duties in any one year was (in 1920)	838,000
During the same year the revenue yielded by import duties on spirits was	243,000
The combined revenue from export and spirits duties, therefore, in 1920 was	1,081,000
The revenue yielded by spirits duties in 1913 amounted to	1,140,000
Thus the combined revenue from export duties and spirits duties in 1920 fell short of the revenue from spirits duties in 1913 by	59,000
In the Gold Coast—	
Revenue yielded by export duties in 1920 was	583,000
Revenue yielded by spirits duties in 1920 was	141,000
Combined revenue from export and spirits duties in 1920, therefore, was	724,000
Revenue yielded by spirits duties in 1913 was	502,000
Thus the combined revenue from export and spirits duties in 1920 exceeded the revenue from spirits duties in 1913 by	222,000

In Sierra Leone—	£
Revenue yielded by export duties in 1920 was	158,000
Revenue yielded by spirits duties in 1920 was	86,000
Combined revenue from export and spirits duties in 1920, therefore, was	244,000
Revenue yielded by spirits duties in 1913 was	167,000
Thus the combined revenue from export and spirits duties in 1920 exceeded the revenue from spirits in 1913 by	77,000

In the Gambia—	
Revenue yielded by the export duty on ground-nuts (which has been in force since 1899) was, in 1920	28,000
Revenue yielded by spirits duties in 1920 was	7,000
Combined revenue from export and spirits duties in 1920, therefore, was	35,000
Revenue yielded by the export duty on ground-nuts in 1913 was	23,000
Revenue yielded by spirits in 1913 was ..	18,000
Combined revenue from export and spirits duties in 1913, therefore, was	41,000
Net decrease in revenue from export and spirits duties in 1920 as compared with 1913 was	6,000

92. Having regard to the exceptional circumstances of 1920, a more accurate appreciation of the extent to which the substitution of export duties for duties on spirits has affected the revenue of the several Colonies concerned can be obtained by a comparison of the estimated receipts on this account during the current year with the revenue derived from spirits in 1913.

Nigeria—	£
Estimated revenue from spirits duties in 1921	216,000
Revenue from export duties during January-July, 1921, £299,000, which is at the rate per annum of	512,000
Estimated revenue from spirits and export duties during 1921 is thus	728,000
Revenue derived from spirits duties in 1913 was	1,140,000
The estimated decrease in revenue from export and spirits duties in 1921 as compared with the revenue from spirits duties in 1913 is	412,000

	£
Gold Coast—	
Estimated revenue from spirits duties, 1921	236,000
Revenue from export duties, January-August, 1921, £412,000, which is at the rate per annum of	618,000
Estimated revenue from spirits and export duties in 1921 is thus	854,000
Revenue from spirits duties in 1913 was ..	502,000
The estimated increase in revenue from export and spirits duties in 1921 as compared with the revenue from spirits duties in 1913 is	352,000
Sierra Leone—	
Estimated revenue from spirits duties in 1921	43,000
Revenue from export duties, January-August, 1921, £19,000, which is at the rate per annum of	28,500
Estimated revenue from spirits and export duties in 1921 is thus	71,500
Revenue from spirits duties in 1913	167,000
The estimated decrease in revenue from export and spirits duties in 1921 as compared with the revenue from spirits duties in 1913 is	95,500
Gambia—	
Estimated revenue from spirits duties in 1921	6,000
Revenue from export duties, January-September, 1921, £54,000, which is at the rate per annum of	72,000
Estimated revenue from spirits and export duties in 1921	78,000
Revenue from spirits duties in 1913	18,000
Revenue from the export duty on groundnuts in 1913	23,000
Revenue from spirits and export duties in 1913	41,000
The estimated increase in revenue from export and spirits duties in 1921 as compared with 1913 is	37,000

93. From the foregoing figures it will be seen that by the substitution of export duties for spirit duties, the Government of Nigeria, even in a year of exceptional prosperity such as 1920, has been a substantial loser, and during the current year bids fair to be £412,000 to the bad on this account.

94. In the Gold Coast, where the export duty on cocoa is double that in force in Nigeria, the substitution up to date has been to the benefit of the Treasury in a very substantial degree.

95. In Sierra Leone in the year 1920, the combined revenue from export duties and spirits duties yielded a net increase in revenue as compared with the yield of spirits duties in 1913 of £77,000; in 1921, however, during part of which the export duty on palm kernels was suspended, the substitution will result in an estimated loss to the revenue as compared with 1913 of £95,500.

96. In the Gambia, where an export duty on ground-nuts has been in force since 1899, the yield of the two duties in 1913 was £6,000 greater than the yield in 1920; but the duty on ground-nuts was increased at the end of 1920, with the result that the benefit to the revenue of the Colony in the current year as compared with 1913 is estimated at £37,000.

97. Apart from other objections to export duties, which will presently be noted and considered, it has to be remembered that, judged as a source of revenue, they do not possess the same elasticity as did the revenue derived from spirits, and are less stable and constant.

98. It has been strongly urged upon this Committee that export duties on produce are bad in principle, in that they impose a tax upon industry, thereby tending to discourage production, and that they are dangerous, inasmuch as they may unduly handicap West African produce *vis-à-vis* its competitors in other lands, if they be placed at too high a figure. It is also contended that the export duties on produce are unfair in their incidence, in that they are paid exclusively by the producing sections of the community.

VIII.—THE EFFECTS OF THE EXPORT DUTIES ON PRODUCTION AND EXPORTATION.

A.—Palm Kernels, Palm Oil, and Nigerian Ground-Nuts.

99. As regards the actual effects which the imposition of the export duties has had upon production in the British West African Colonies the Committee is in possession of the following facts.

Palm Kernels.

100. The quantities of palm kernels exported from the British West African Colonies during the four years immediately preceding the outbreak of the War, at which time no export duties were imposed upon this commodity, were as follows:—

Year.	Quantity Exported. Tons.
1910	230,677
1911	232,980
1912	250,449
1913	234,209
Total for the four years	948,315

101. The quantities exported during the four years 1917-1920, which immediately followed the imposition of the export duties, were as follows :—

Year.	Quantity Exported. Tons.
1917	249,318
1918	255,560
1919	278,099
1920	265,507
Total for the four years	1,048,484

102. During the four years following the imposition of the export duty, therefore, the actual quantities of kernels exported exceeded the quantities exported during the four years immediately preceding the outbreak of the War by rather more than 100,000 tons, and the fluctuations in the quantities exported from year to year were not greater in the later than they had been in the earlier period.

Palm Oil.

103. The exports of palm oil from the British West African Colonies for the four years immediately preceding the outbreak of war were as follows :—

Year.	Quantity Exported. Tons.
1910	88,060
1911	89,121
1912	86,048
1913	89,245
Total for the four years	352,474

104. The exports of palm oil for the four years immediately succeeding the imposition of the export duties were as follows :—

Year.	Quantity Exported. Tons.
1917	77,711
1918	90,305
1919	108,331
1920	89,545
Total for the four years	365,892

NOTE.—The official returns in the case of the Gold Coast and (except for 1920) in the case of Sierra Leone give quantities in imperial gallons. For the purpose of conversion to tons, 240 imperial gallons has been taken as the equivalent of 1 ton.

105. The exports of this commodity during the latter period therefore exceeded the exports for the four years immediately preceding the outbreak of war by some 13,000 tons.

Ground-Nuts.

106. As has already been noted, an export duty upon ground-nuts has been in force in the Gambia since 1899, and though this duty was increased from 6*s*. 8*d*. to £1 per ton in November, 1920, that action was taken at so late a period that it cannot be held to have appreciably affected the exports during the period under discussion. A few bushels of ground-nuts are annually exported from Sierra Leone, the largest quantity ever exported being 5,738 bushels in 1918. In this Colony, however, an export duty upon ground-nuts has never been levied. It is, therefore, in this connection, only necessary to consider the exports of ground-nuts from Nigeria. Here an export duty of 10*s*. per ton was imposed upon ground-nuts in January, 1918, and was increased to £1 per ton from February 1st, 1920.

107. For the three years immediately preceding the outbreak of war, the exports of ground-nuts from Nigeria were as follows :—

Year.	Quantity Exported. Tons.
1911	1,179
1912	2,518
1913	19,288
Total for the three years	22,985

108. For the three years immediately following the imposition of the export duty, the quantity of ground-nuts exported from Nigeria was as follows :—

Year.	Quantity Exported. Tons.
1918	57,554
1919	39,334
1920	45,409
Total for the three years	142,297

109. These figures, however, cannot be taken as forming a fair basis of comparison, as the export trade in ground-nuts from Nigeria was still in its infancy during the years preceding the War, less than 1,000 tons having been exported in 1910. The trade declined in 1914, and the exports for 1915 only amounted to 8,910 tons. During the next two years the exports slightly exceeded the rate of 50,000 tons *per annum*, and the high water mark (57,554 tons) was reached in 1918.

During the years 1919 and 1920 there is an apparent decline in the trade, but this is to be attributed, not to decreased production, but to the inability of the railway to provide transport for the ground-nut crop from Kano to Iddo, and the consequent banking up of large stocks at the former place. For the current year the export of ground-nuts from January to June inclusive amounted to 22,008 tons, which is approximately equivalent to the rate of export in 1920, but practically all of this had been purchased during 1919 or 1920.

110. From the foregoing figures the general conclusion may be accepted that the imposition of the export duties on palm kernels, palm oil and ground-nuts did not, in practice, check the volume of exports of these commodities ; but in this connection it is necessary to consider the prices which were offering at different periods for the produce in question.

Prices offering for West African Produce.

Palm Kernels.

111. The average annual prices for palm kernels for the past eleven years are as follows :—

Year.	Average Price in Liverpool per ton. £	s.	d.
1911	18	11	1
1912	19	16	8
1913	23	6	0½
1914	19	13	11½
1915	16	19	7
1916	22	8	9
1917	25	11	0½
1918	26	0	0
1919	36	0	3¾
1920	37	15	6¼
1921 (January to October)	20	9	1¾

112. The control of prices for palm kernels (£26 to £26 10*s.* per ton, according to port of shipment) was effected from May 1st, 1917, and was maintained until the 1st April, 1919. On the removal of control, prices soon rose, the highest recorded being £44 17*s.* 6*d.* in July, 1919, and £47 13*s.* 9*d.* in February, 1920. As has been seen, the average price for that year was £37 15*s.* 6¼*d.*, but the price fell sharply in January, 1921, and in the following months, the average from January to October being only a few shillings better than the average price that ruled in 1912, and nearly £3 less than the average price for 1913.

Palm Oil.

113. The average annual prices for palm oil (softs) for the past eleven years were as follows :—

Year.	Average Price in Liverpool per ton. £	s.	d.
1911	31	0	10
1912	28	17	6
1913	31	0	0
1914	29	8	4
1915	31	3	4
1916	37	17	6
1917	46	16	8
1918	48	0	0
1919	71	9	2
1920	66	12	6
1921 (January to October)	34	14	9

114. The control of prices (the maximum was fixed at £48 per ton) was in force from May, 1917, to April, 1919, inclusive, and the removal of control was at once followed by a steep advance in prices, the highest recorded during 1919 being £89 10*s.* in August of that year; £95 10*s.* was reached in January, 1920. From that time onward prices gradually declined to £42 10*s.* in December, 1920, the lowest price reached being £28 7*s.* 6*d.* in April last. The average price for the first ten months of the current year, however, is £34 14*s.* 9*d.*, which is £3 13*s.* 11*d.* better than the average price in 1911, £5 17*s.* 3*d.* better than the average price for 1912, and £3 14*s.* 9*d.* better than the average price for 1913.

Nigerian Ground-Nuts.

115. The average annual prices for Nigerian ground-nuts for the past eleven years were as follows :—

Year.	Average Price in Liverpool per ton. £	s.	d.
1911	13	4	$10\frac{3}{4}$
1912	13	0	$4\frac{1}{2}$
1913	16	7	8
1914	15	0	4
1915	12	8	4
1916	19	5	10
1917	29	17	11
1918	32	0	0
1919	41	1	8
1920	39	6	8
1921 (January to October)	19	2	3

116. Here, again, the price was controlled from May 1st, 1917, to April 30th, 1919, the maximum Government price being £32 per ton. On the removal of control the price at once soared, £48 15*s.* being reached in July, 1919, £51 10*s.* in February, 1920, and £49 in March of that year. The lowest price offering during this period was

£43, which ruled during October and November, 1919, and the extreme range of variation of price was £8 10*s*. From March, 1920, prices began gradually to fall, £31 per ton being the figure for July, after which there was a recovery, £41 being the price for September, followed by a further fall to £22 15*s*. in December. Thereafter the price fell steadily, £15 10*s*. being reached in April, 1921. A slight recovery followed, and was maintained to the end of October ; but the average price for the ten months is only £19 2*s*. 3*d*. This is £5 17*s*. 4¼*d*. better than the 1911 price, £6 1*s*. 10½*d*. better than the 1912, but only £2 14*s*. 7*d*. better than the 1913 price.

117. As regards kernels, if the figures showing the quantities exported during the years preceding the outbreak of war be compared with the prices ruling during those years, it will be observed that the quantity exported during 1913—the year during which much the highest pre-war price was ruling—was less by some 16,000 tons than it had been in 1912, and very little in excess of the quantity exported in 1911, and, so far as it is safe to draw any inference from such restricted data, it may be suggested that a difference of some £3 or £4 in the average price per ton has no immediate effect upon the production of kernels, either in the direction of stimulation or discouragement. This is perhaps accounted for by the fact that in the Yoruba country, and in some other parts of British West Africa, the kernels are a perquisite of the women, who, in normal times, appear to market larger or smaller quantities in any given year, without any very special reference to the market price ruling for the moment.

118. It is evident, however, that the producers of kernels are receiving, at present prices, not only relatively, but actually less for their produce than they were receiving during the three years preceding the outbreak of war, their earnings on this account being further depressed by the depreciated purchasing power of money and the increased cost of shipping, handling and other similar charges, which have to be defrayed by the purchaser. The export duty of £2 a ton is a new charge, which had not to be met in pre-war days, and causes a further reduction of the price actually received by the producers. On the other hand, even during the past ten months, the difference between the prices offering for kernels in Liverpool from time to time has been more than double the amount of the export duty, and it is debatable whether the abolition of this duty would by itself have had any very marked effect upon production. It is obvious, however, that the lower the market price the more important becomes the effect of the duties in this respect.

119. It seems to be probable that, having regard to the peculiar circumstances of their production, kernels will continue to be exported from British West Africa in spite of poor prices, though the abrupt fall in price during 1921, coming after a period during which exceptionally high prices were offering, has unquestionably had both in Nigeria and in Sierra Leone a marked effect on the quantities recently exported. There is some reason to believe that stocks of kernels have been held back from the markets by the natives, who were in hopes of ultimately obtaining better prices, and it is noteworthy that,

though the export duty on kernels was suspended in Sierra Leone from February 1st to August 10th of the current year, this action had no stimulating effect upon the exports of this commodity. It should be added, however, that the Liverpool market prices were very low during the period of this suspension.

120. As regards palm oil, though the prices even during the current year are from £5 18*s.* to £3 14*s.* higher than those ruling immediately before the War, owing to increased freights and charges and the imposition of an export duty the prices being received by the producers are, it is probable, not only relatively, but actually, lower than were the prices paid to them before the War. This, combined with the fact that there is an ever-increasing local market in Nigeria for the best softs for consumption by the African population, may, the Committee considers, lead to a decline in exports, if not in the production of this commodity. In this connection it is noticeable that while the exports of palm oil from Port Harcourt rose from 8,000 tons in 1918 to 13,000 tons in 1919, and to 19,000 tons in 1920, the exports from Lagos for the same years were 16,000 tons, 21,000 tons, and 13,000 tons, which figures would seem to indicate that even the very high prices ruling during 1919 and 1920 did not suffice greatly to stimulate the exports of palm oil from the area whence the largest quantities are distributed for local consumption. There can, the Committee considers, be no question that the imposition of an export duty and its increase from £2 to £3 a ton from February, 1920, did have the effect of stimulating the local consumption of palm oil, as against the quantity produced for export, in the western districts of Nigeria. Upon palm oil produced for local consumption, no duty is levied, nor could such a duty be imposed or collected without the greatest difficulty.

121. On the other hand, the variations in the prices offering at Liverpool for palm oil have been very great, there being, for example, a difference of more than £6 a ton between the price ruling in September and that obtaining in October. This is double the amount of the export duty; and the comments made above with respect to palm kernels equally apply.

122. As regards Nigerian ground-nuts, this crop has long formed a principal food-stuff of the African population in the areas of the Northern Provinces, of which Kano is the chief commercial centre. It is only during the last ten years that large quantities of this crop have been grown and prepared for export; and until quite recently, the volume exported from Nigeria has very largely depended upon the ability of the railway to convey the stocks accumulated at Kano and elsewhere to Iddo, the port of shipment. Thus, the largest recorded export of ground-nuts was in 1918 (57,554 tons) when the average price was £32, as against £41 1*s.* 8*d.* in 1919 and £39 6*s.* 8*d.* in 1920, during both of which years the quantities exported were very materially smaller.

123. It is in evidence that the rates payable for transporting ground-nuts from Kano to Iddo, including terminal charges, amount to 1½*d.* per ton mile, while the average cost to the Nigerian Railway of the goods traffic worked out at 1·72*d.* per ton mile in 1920. The railway

is therefore conveying ground-nuts to the sea at a slight loss per ton mile ; but the Government is ultimately recouped by the export duty, which at present amounts to £1 a ton.

124. Even during the current year, the variation in the Liverpool prices for Nigerian ground-nuts has amounted, *e.g.*, between March and September, to as much as £7 15*s.* a ton. The local demand for ground-nuts as a foodstuff will always cause a considerable quantity of this crop to be sown and harvested, and the stimulation of the production of a surplus crop for sale and export must be regarded as being dependent upon the price which, from time to time, it is possible to offer to the African producer. Of this price the export duty only represents a single, but constant, factor, which in itself is not comparable with the variations in the market prices offering for this article.

125. The general conclusions at which the Committee has arrived after considering the facts and figures set forth above are :—

(*a*) That the imposition of export duties did not, in practice, check production during the years 1918, 1919 and 1920.

(*b*) That the high prices ruling during that period sufficed to neutralise any effect in this direction which the imposition of export duties might otherwise have had.

(*c*) That the current year has witnessed a considerable falling-off in the exports of palm kernels and of palm oil and that a similar falling-off in the export of Nigerian ground-nuts is to be anticipated as accumulated stores are now exhausted.

(*d*) That this is mainly to be attributed to the low prices offering for these commodities, the variations in which, from time to time even during the current year, are considerably in excess of the export duties imposed ; and that as long as this continues to be the case, the existence of export duties cannot be regarded as the principal contributory factor operating to discourage production.

(*e*) That this conclusion is, in a measure, confirmed by the fact that the suspension of the export duty on palm kernels in Sierra Leone from February 1st to August 10th, 1921, did not result in any appreciable stimulation of the production and exportation of that article from that Colony. It is, however, to be noted that the prices ruling for kernels during that period were abnormally low.

(*f*) That, having regard to the fact that palm kernels are, in some of the most important producing districts, the perquisite of the women, it is improbable that the production and exportation of this article will very materially or permanently decline, even if the present low prices remain in force for a prolonged period ; though it must be recognised that the producers are to-day receiving for palm kernels prices which are considerably lower than those which they obtained before the War ; in the Gold Coast, however, where no export duty on palm kernels is in force the export of this commodity has practically ceased owing to low prices.

(*g*) That, as regards palm oil, though the average prices at Liverpool during the current year are somewhat in excess of the best prices offering before the War, it may be accepted that the prices which the producers are receiving are actually smaller than those which they obtained before the War; that the best market for this produce in Nigeria is the local market for the best softs, for which there is a growing demand as a food-stuff; that the export duty of £3 a ton helps to stimulate local consumption and proportionately to discourage exportation; and that the export duty on palm oil is therefore more likely to cause a decline in the quantities exported than is the case as regards any other vegetable export from West Africa upon which an export duty is levied.

(*h*) That, as regards Nigerian ground-nuts, the average prices ruling in Liverpool during the current year are higher than the best prices offering in 1913; and that owing to severe competition amongst the European merchants the producers are at present receiving considerably more than they obtained before the War. Having regard to the circumstances of the Northern Provinces of Nigeria, and to the fact that ground-nuts are there an indigenous crop, large quantities of which are annually produced in any event for local consumption, it is probable that a considerable amount will always be available for sale and export.

B.—Gold Coast Cocoa Duty.

126.—The rate of the duty is $\frac{1}{2}d.$ per lb., or 2*s.* 6*d.* per load (of 60 lbs.), or 4*s.* 8*d.* per cwt., or £4 13*s.* 4*d.* per ton. When first imposed in October, 1916, the rate was $\frac{1}{4}d.$ per lb., or £2 6*s.* 8*d.* per ton, a year later it was reduced to $\frac{1}{5}d.$ per lb. or £1 17*s.* 4*d.* per ton, but it was raised to its present figure in August, 1919. At the Grower's unit of 60 lbs. the rates have therefore varied as follows :—

1916	1*s.* 3*d.*
1917	1*s.* 0*d.*
1919—present day	2*s.* 6*d.*

127. The duty is producing a large revenue, the amount collected up to the end of August, 1921, from the date of its imposition in October, 1916, being £1,776,000, and the proceeds of the duty during the current year will probably be at least £500,000. These large sums are collected at a negligible cost and without any friction.

128. It would be difficult to demonstrate that the duty has *so far* damaged the industry. Thus the exports for the four years preceding the outbreak of war and for the four years succeeding the imposition of the duty were respectively as follows :—

	Tons.
1910	22,631
1911	39,726
1912	38,647
1913	50,554
Total	151,558

	Tons.
1917	90,964
1918	66,343
1919	176,176
1920	124,773
Total	458,256

The figures for the three intervening years were as follows :—

	Tons.
1914	52,888
1915	77,278
1916	72,161
Total	202,327

This striking and rapid growth is attributable to large areas planted before the imposition of the export duty coming into bearing, especially in Ashanti. The exports from Seccondee (the bulk of which come from Ashanti) rose from 4,824 tons in 1911 to 41,318 tons in 1920.

129. The drop in the exports in 1920 may possibly be followed by a further slight drop in the current year, though the exports up to the end of August, 1921, amounted to 84,200 tons, or at the rate of 126,300 tons for the 12 months. In this connection it may be remarked that during the present depressed state of the cocoa trade, merchants are naturally more particular as to the quality of the cocoa which they buy.

130. The export duty was opposed by all the unofficial members of the Legislative Council at the time of its original imposition, and again in 1919, when the duty was doubled, but there is at this juncture no demand by the African unofficial members for its total withdrawal. They have, however, urged (in reply to a reference to them on behalf of the Committee) " that the incidence of the export duty should vary with market prices."

131. Mr. Furley, the Secretary for Native Affairs on the Gold Coast, informed the Committee that he has never heard it put forward by the natives that the duty is unjust in its incidence. " It is," he says, " a form of indirect taxation to which natives do not object more than they do to any other form of indirect taxation, and they certainly do not object to indirect taxation in the way they certainly would if we replaced it with direct taxation." (Q. 2137.)

132. In criticism of the duty it is contended, more especially by the mercantile community—

(i) That in principle any tax on produce is unsound ;
(ii) That at present prices the tax at its present figure is unfairly onerous, *i.e.*, when calculated on an *ad valorem* basis.
(iii) That the grower is taxed twice, viz., on what he sells and what he buys ;
(iv) That the tax is impeding, or at least is likely to impede, the rate of growth of the industry in that it is so discouraging the farmer that he will cease to extend his farm and may even abandon existing farms.
(v) That competing cocoas are gradually approaching Gold Coast cocoa in price, and that, therefore, it is obviously desirable to cheapen in every way possible the cost at which cocoa can be put on board ship in the Gold Coast.
(vi) That at any rate the duty should be assessed on a sliding scale, varying according to market prices.

133. As to the first of these objections, the Committee agree that a duty on the export of cocoa is in principle to be deprecated. Any factor which tends to lessen the amount which the producer obtains for his produce, or to increase the cost which the consumer must pay for that produce, must necessarily tend to restrict trade. Thus the imposition of an import duty or an increase in such a duty usually affects consumption to some degree. But although it may be conceded that all duties, and especially those on produce, must, to some extent, hamper trade, none the less some taxation is necessary, and the question for local Governments is how to get the money they require with the least disturbance, not only of trade, but of popular content.

134. As to the second objection, viz., the onerous character of the duty at the present time, figures have been produced by one of the members of the Committee which go to prove that the duty, calculated as an *ad valorem* one, runs up in certain cases to as much as 28·4 per cent. of the price that would otherwise be paid to the farmer. (*See* page 81 of the evidence). But taking the English market price, *e.g.*, £38 a ton, the figure works out at 12·3 per cent. Even this figure is admittedly a high one, and suggests the desirability of a sliding scale, or at least the necessity for careful and frequent scrutiny of the position. Nevertheless, the exports for 1921 would seem to show that the duty has not so far caused any appreciable diminution of the trade, and when present world trade conditions are taken into consideration, the practical maintenance of the 1920 standard of shipments is reassuring.

135. It is true that on the assumption that the cocoa grower pays the whole duty or even part of it, he is taxed more highly than other natives on the Gold Coast, who consume equal amounts of imported goods and do not sell taxable exports, but it must be borne in mind that it is impossible to make the incidence of taxation equal for everyone. It is relevant to recall in this connection that by the recent

imposition of export duties on kola and timber, as well as on cocoa, the Gold Coast Government have widened the basis of taxation on produce.

136. As to the rate of growth of the industry, the figures already quoted in paragraph 3 above appear to prove indisputably that that rate has, ever since the imposition of the duty, been very remarkable. An increase in the export of Gold Coast cocoa from 72,000 tons in 1916 to 125,000 tons in 1920, is an increase of about 70 per cent. in five years, or 14 per cent. per annum. Of the increase of 53,000 tons about half may be attributed to the growth of the industry in Ashanti, but, even so, the rate cannot be considered otherwise than satisfactory. We have not had before us any direct evidence as to whether cocoa farms are or are not being extended as rapidly as was the case before the imposition of the duty; but it has often been urged by the Agricultural and Forestry Departments that it would be salutary if the extension of cocoa farms in the Gold Coast were slowed down to some extent, as it has in the past been considered by many to be too rapid for good cultivation.

137. The future growth of the industry is necessarily a matter of speculation. Production depends on the following main factors :—

(1) The areas available.
(2) The population of such areas.
(3) The inducements offered to growers of cocoa, *i.e.*, prices.

As to the first of these factors, the area available and suitable for cocoa cultivation has been estimated at 24,000 square miles, or, roughly, half the area of the Colony and Ashanti, and inasmuch as probably three-quarters of the Colony are suitable for cocoa cultivation (Q. 2164) the figure seems reasonably correct.* In any case, it is certain that there are in the Gold Coast and Ashanti large areas suitable for cocoa which are either not yet planted or not yet in bearing or not yet within a profitable zone on account of lack of transport. Examples of such areas are the hinterland of the Central Province, the rich Sefwi district of the Western Province, the Western Province of Ashanti, the Kwahu Plateau, and part of the British Mandate of Togoland.

138. The population in all the above areas is considerable. The total present population of the Gold Coast is believed to be about 2,000,000, of whom about 600,000 are in the Northern Territories, leaving, say, 1,400,000 in the Colony and Ashanti. We do not feel able to hazard any guess as to what is a reasonable or possible production of cocoa per head, but we understand that the crop in some recent years has been estimated by the agricultural authorities at 150,000 tons. Taking into consideration the room that still exists for greatly improved transport in many of the cocoa-bearing areas, we have little doubt that the Gold Coast is capable of producing at least 200,000 tons of cocoa per annum and probably more. It may well

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*The total areas are (according to the Colonial Office List) :—

Colony	... ...	24,200 square miles.
Ashanti	... ...	20,000 „
Northern Territories	...	35,800 „

be questioned, however, whether increase in production will take place in future as rapidly as between 1913 and 1920, though improved transport facilities revolutionise trade in that part of the Gold Coast where they are affected.

139. The " inducements offered to the growers of cocoa " depend on price. This price is determined by :—

(*a*) The " home price," which in its turn depends on the balancing of the world's supply and demand.
(*b*) The cost of internal transport, *e.g.*, rail, river, motor, head carriage.
(*c*) The cost of external transport, *i.e.*, ocean freight (including lighterage).
(*d*) Miscellaneous charges, *e.g.*, merchants' overhead charges, financial charges, loss in weight, &c.
(*e*) Merchants' and intermediaries' profit.
(*f*) Export duty.

None of these factors is fixed or immutable.

140. Of the above factors, the first, viz., the home price, is obviously the most important. This, it is notorious, has always varied in a remarkable manner from time to time, even during the same year, as may be seen from the following table :—

PRICES FOR FAIR FERMENTED ACCRA COCOA, IN THE UNITED KINGDOM 1910–1921. (PER CWT.)

	1910.	1911.	1912.	1913.	1914.	1915.	1916.	1917.	1918.	1919.	1920.	1921.
1st Jan. ...	46/6	48/–	47/6	58/–	54/6	68/–	77/–	52/–	74/–	*65/–	†99/–, ‡102/–	40/–
1st April ...	47/–	47/6	47/–	62/9	53/6	80/–	71/6	54/–	*65/–	†65/–, ‡71/–	118/–	42/–
1st July ...	45/–	48/–	57/–	62/9	51/6	74/–	57/9	53/–	*65/–	†85/–, ‡93/–	76/–	43/–
1st Dec. ...	47/9	49/–	55/6	58/9	47/–	82/–	50/–	71/6	*65/–	† 96/–, ‡100/–	52/–	1st Nov. 42/6
Lowest ...	45/–	47/–	46/6	55/–	42/–	53/–	57/–	52/–	*	65/–	40/–	37/–
Highest ...	49/–	56/–	60/–	66/–	57/–	85/–	80/–	73/–	*	99/–	124/–	51/–

* Government controlled price from 19.3.18 to 31.1.19.
† Home trade cocoa.
‡ Exportable cocoa.

It will be noted that even before the War, there were variations in the same year to the extent of 13*s.* 6*d.* a cwt. or £13 10*s.* a ton, while during and since the War the fluctuations have been much more violent. The price to-day is appreciably lower than it was before the War.

141. An important governing factor is, of course, the stock of cocoa in the consuming countries at any given moment, and in this connection we are informed that the stock of raw cocoa in the United Kingdom on the 10th October, 1921, was 43,800 tons only, as compared with 63,700 tons on the corresponding date in 1920.

142. According to available information the world's consumption of cocoa during the last eight years has been as follows :—

	Tons.
1913	257,000
1914	259,000
1915	314,000
1916	265,000
1917	310,000
1918	310,000
1919	422,000
1920	360,000

There was thus a considerable increase in consumption at a time even when Central Europe was completely out of the market. The consumption in Germany and America during the period 1913 to 1920 was as follows :—

	Germany.	America.
	Tons.	Tons.
1913	51,000	68,000
1914	50,000	72,000
1915	45,000	85,000
1916	15,000	97,000
1917	—	157,000
1918	—	145,000
1919	20,000	172,000
1920	46,000	131,000

NOTE.—Figures for Germany from 1914 inclusive onwards are estimates only.

The consumption of cocoa may be expected to increase still further as Central Europe more fully recovers its purchasing power and when Russia and Poland enter the market.

143. The second factor governing the local price, viz., the cost of internal transport, is also obviously of the first importance and at present large cocoa-bearing areas are still far from any cheap means of transport. In this connection it is important to bear in mind that the remunerative yield of the cocoa duty enables Government to proceed with fair rapidity with projects for improving transport facilities, *i.e.*, in the construction of new roads and railways.

144. As to the cost of external transport, ocean freights for cocoa per ton weight from Accra to Liverpool were 30*s.* in 1913, rose to as much as 145*s.* during the War, and are to-day 60*s.*

145. Unquestionably, whatever the home price of cocoa may be, there must be geographical zones beyond which it is impossible for

cocoa to be profitably grown. These zones expand or contract as the charges for internal transport, ocean freight, export duty and other charges diminish or increase. Thus a reduction or abolition of the export duty would undoubtedly extend in some degree the profitable zones, provided that the whole of the duty so remitted was eventually paid to the native producers. Even in 1920, however, much of the cocoa produced in the Sefwi district for instance was not brought to market owing to the lack of transport facilities between Sefwi and the railway.

146. As regards competition of other cocoas—*e.g.*, Guayaquil, Bahia, San Thomé, French West Africa, Nigeria, British West Indies, etc.—a few years ago Bahia was the biggest producer of cocoa, but at the present time the Gold Coast is the largest producer in the world. Nevertheless Bahia is competing successfully in the American market, and the competition of the other producers also obviously requires to be very carefully watched, especially as it is reported that the difference between the price of such cocoas and Gold Coast cocoa is less to-day than it formerly was. It is still possible, however, to put West African cocoa on the market at a cheaper price than cocoa from other places (Question 650). It is also a fact that no difficulty is experienced at present in finding a market for Gold Coast cocoa. (Question 462.) We may here observe that in so far as any remission of the duty was used to meet the competition of other countries it would fail to secure higher prices for the farmer, although in that case it would help to preserve for him a market that might otherwise be lost.

147. A factor of some importance in considering the question of competition is that British-grown cocoa enjoys a preference on entering the United Kingdom of £7 a ton over foreign grown cocoa, though only a comparatively small portion of the total West African crop is consumed in Great Britain.

148. It is true that, so far as the information at the disposal of the Committee goes, the duty on cocoa exports from the Gold Coast is higher than that in force in any other British cocoa-producing Colony.* The Director of Agriculture in the Gold Coast, however, in a report made after a visit of enquiry to Ecuador in 1920, reported that the taxation directly borne by the cocoa industry in that country, which produces some 45,000 tons per annum, is materially in excess of the export duty in force in the Gold Coast. Again, in the Western portion of the Southern Provinces of Nigeria, though the export duty on cocoa is only half that in force in the Gold Coast, the farmers are subject to direct taxation, from which the Gold Coast farmers are free.

The question of assessing export duties on a sliding scale is dealt with generally in Section VIII F (page 57).

C.—Gold Coast Timber.

149. This duty, which was imposed on 4th February, 1921, is at the rate of 2*d.* per cubic foot. Owing to practical difficulties of measuring the logs, more especially at Axim (at the mouth of the Ancopra

*Vide Appendix 2.

River), where the logs come down in rafts and are so floated out to the ship, it was decided, after a local conference between the exporters and the Customs and Forest Departments, to assess the duty in practice at so much per log. A large number of logs were measured and the average content of those exported from Axim was found to be 78 cub. ft., and from Seccondee 100 cub. ft., and from Half Assinie 126 cub. ft. Consequently this duty was assessed at 13*s.* per log at Axim, 16*s.* 8*d.* per log at Seccondee, and 21*s.* per log at Half Assinie (for logs coming down the Tano).

150. The proceeds of the duty for the months from February to September, 1921, have been as follows :—

1921.	Axim.	Half Assinie.	Seccondee.
	£	£	£
February	—	—	168
March	1,435	136	416
April	958	9	42
May	70	—	493
June	—	—	50
July	40	—	587
August	—	—	458
September	1,474	310	329
Total	3,977	455	2,543

Total, £6,975 (for 8 months).

The estimated yield for 12 months was £16,000, so that the actual proceeds (for the period which includes the " off " season) have been considerably below the estimate.

151. The exports during these eight months have been as follows :—

From—

Axim	477,236	cub. ft.
Half Assinie ..	54,677	,,
Seccondee ..	305,174	,,
Total ..	837,087 cub. ft. = 10,045,044 sup. ft.	

The exports for the last ten years have been :—

	Cub. ft.
1911	1,164,449
1912	1,964,471
1913	3,115,987
1914	2,048,935
1915	768,135
1916	861,233
1917	623,455
1918	1,223,402
1919	869,354
1920	1,801,709

The comparatively large export from Seccondee this year is a new feature, and the Committee is informed that it is doubtful whether it will continue, as, according to a witness, logs conveyed by rail suffer from damage in transport; also considerable difficulty has been experienced in the past in shipping from this port. Against this, however, recent reports from the Gold Coast appear to show that there are at present some 15,000 logs in the Offin River.

152. A West African timber merchant who gave evidence expressed the opinion that the duty had not affected shipments up to the present. (Q. 2304.) The Committee recognise, however, that as the duty was only imposed in February of the current year, there has not been sufficient time to judge how far it will affect this industry, as the shipments this year can only be logs which were brought down river last flood season. From November to March the natives are busy felling, dressing and hauling the logs to the river side, waiting for the river to flood in June. Generally the logs only arrive in the lower reaches of the river in August and September.

153. Witnesses stated that there are now in the Ancopra River a large number of logs (variously estimated at from 15,000 to 20,000), the majority of which are of poor quality, and that in respect of these the amount of the duty may prevent merchants paying a price which will give a reasonable return to the native to recompense him for the labour and expenses incurred.

154. Further, it was stated that the demand for mahogany both in the United Kingdom and the United States of America is at present very poor, the average price offered being as follows:—

For " prime " logs	..	6*d.* to 6½*d.* per sale foot. (Very special logs will, of course, fetch more, up to some shillings.)
For " good average " logs		4½*d.* to 5½*d.* per sale foot.
For lower class logs	..	Down to 1½d. (Practically no sales.)

It was explained that the sale foot (superficial) is from 30 per cent. to 40 per cent. less than the actual measurement, to compensate for the cutting, trimming, &c.; thus the price of " 4½*d.* a sale foot " would be equivalent to, say, 3*s.* a cubic foot.

155. The above prices do not, however, differ materially (except in regard to low-grade logs) from pre-war prices; indeed, the prices for prime logs are a little better than before the War, but in these days the sea-borne handling charges are considerably heavier.

156. It should be noted that the sale price of 4½*d.* a sale foot would enable the merchant to pay the native, without allowing any profit to himself, ·95*d.* a sale foot (page 85 of the printed evidence), and taking the duty as being equal to ¼*d.* a sale foot, the duty works out at about 20·8 per cent. *ad valorem.*

157. The witness expressed the opinion that when the price was over 6*d.* a foot the duty was not noticed. (Q. 2330.) He further stated that the Gold Coast duty was very much in line with the taxation payable in Nigeria, where there is no export duty but a royalty. (Q. 2345.) He

considered that the royalty system was preferable to the export duty if there is a properly equipped Forestry Department.

158. The Committee consider that having regard to the time of its imposition the export duty on timber has fallen as a heavy burden both on the merchant and the native. The merchant made advances to the native towards the end of last year to enable him to go to his concessions and hire labour to fell and dress the logs. These advances were made when the home prices were considerably higher than they are to-day and the merchants had no idea at that time of the Government's intention to impose an export duty. It is equally hard on the natives who felled and dressed their logs without advances.

159. In these circumstances the Committee desires to urge that the question of the temporary suspension or reduction of the timber duty should receive the immediate consideration of the Gold Coast Government.

160. Finally, we may observe that some form of taxation on the timber industry may be regarded as justifiable, in that those engaged in it are necessarily diminishing one of the valuable assets of the Gold Coast Colony, and in the opinion of the Committee the form of protection should be similar to that in force in Nigeria, which would protect immature trees and encourage re-afforestation in depleted areas. It would also tax equally those who fell for internal consumption and those who fell for export.

D.—Nigerian Hides and Skins.

161. The export duties in force in Nigeria on hides and skins are as follows :—

Raw hides, &c.	2*d.* per lb.
Tanned hides, &c.	3*d.* per lb.

162. It is contended that these duties are unfair inasmuch as there is no differentiation between different kinds and qualities of skins and hides ; and that at the present time they are so high that it no longer pays to export these articles.

163. The question of altering the duties was considered by the Government of Nigeria in January last. In view, however, of the fact that a Committee of the largest and most experienced buyers, appointed by the Kano Chamber of Commerce, had reported in November, 1920, that :

> " A very good way of preventing adulteration and improving the quality of the hides and skins would be to grade all hides and skins into three qualities, with a graduated scale of export duties in favour of the best quality, *viz.* :—
>
> | | Export duty. |
> |---|---|
> | Best quality .. .. | 2*d.* per lb. |
> | Medium .. .. | 4*d.* per lb. |
> | Lowest .. .. | 6*d.* per lb." |

it was decided to wait for six months before considering any reduction of duty.

164. It should be stated that the Kano Chamber of Commerce was not unanimous in its adoption of the above-quoted recommendation. It was, however, at that time in favour of the principle of a graduated scale of export duty designed to encourage the export of the best qualities of hides and skins, with a minimum export duty of 2*d.* per lb. on raw hides and skins, which is the rate at present in force.

165. The following figures show the quantities of hides exported during 1919, 1920, and from January to June of the current year :—

Year.	Weight.	Duty.
	lb.	£
1919	7,912,988	65,941
1920	4,341,643	36,180
1921 (January to June)	3,336,981	27,939

It should be noted that the figures for 1921 include tanned hides, which, however, do not represent more than 2 per cent. of the total quantity exported.

166. It will be observed that, though it is understood that there were practically no purchases of raw hides between January and June of the current year in Nigeria, the retention of the existing export duty did not affect the volume exported during that period.

167. The exports of skins during 1919 and 1920, and the revenue yielded by the export duty during those years, were as follows :—

Article.	Weight, 1919.	Weight, 1920.	Duty, 1919.	Duty, 1920.
	lb.	lb.	£	£
Raw goat skins	5,323,949	2,579,564	44,366	21,496
Raw sheep skins	406,635	112,037	3,388	933
Tanned sheep and goat skins	1,374,898	667,574	17,186	8,344

For the period January to June of the current year the weight of the exports of untanned and tanned goat and sheep skins amounted to 591,444 lb. and the duty paid thereon to £5,272 ; the sales during this period are estimated at over 250,000 raw goat skins and about 60,000 tanned skins.

168. In June, 1921, the question of reducing the export duties on hides and skins was again considered by the Government of Nigeria, but the figures then available, which showed the quantities exported from January to April of the current year, were not held to demonstrate the necessity for any immediate action.

169. In July last further representations were received from the Chamber of Commerce at Kano, which for the first time suggested the imposition of an *ad valorem* rate of duty. The feasibility of adopting this suggestion was then investigated by the Government of Nigeria,

which arrived at the conclusion that while it would not be possible to assess the *ad valorem* rate on the exporters' invoices, or to charge a duty graduated according to quality, there appeared to be less objection to an *ad valorem* rate based on the cost of skins and hides of average quality at the buying centre, such cost being ascertained monthly.

170. A letter dealing with this subject, dated 29th August last, from the Lagos Chamber of Commerce, and addressed to the London Chamber of Commerce for the information of this Committee, will be found on pages 30–31 of the printed evidence. It contains the following complaints and statements :—

(*a*) That no official action has been taken to impress upon the African population the wealth producing possibilities of good quality hides and skins.

(*b*) That Nigerian hides and skins are often badly butcher-cut, diseased and in many cases adulterated to an extent which reduces their value and causes them to be graded among the lowest on the markets of Great Britain and America.

(*c*) That, in spite of their low value and quality, they are more highly taxed by means of the export duty than are similar exports from other British Colonies, an example being given of the 10 per cent. *ad valorem* export duty, based upon the local purchase price, which it is stated is in force in East Africa and Uganda.

(*d*) As compared with the present Nigerian duties of 2*d.* for raw hides and skins, and 3*d.* for tanned hides and skins, it is calculated that the East African rate of duty would be from 0·03*d.* per lb. to 1·02*d.* per lb.

(*e*) That the higher duty in force in Nigeria constitutes " a further serious disadvantage," in addition to those of poor quality and long railway haulage, under which the industry already suffers *vis-à-vis* its competitors in other Colonies and countries.

(*f*) That the present export duty basis requires revision.

(*g*) That the imposition of a specific duty per lb. upon produce varying in value is wrong in principle.

(*h*) That whereas the values of raw goat skins, raw sheep skins and raw hides in England are approximately 1*s.* 6*d.*, 9*d.*, and 7½*d.* respectively, the same duty per lb. weight is charged upon all these articles. And that tanned skins and tanned hides are alike subject to a duty of 3*d.* per lb. whereas their approximate values in England are 2*s.* and 10*d.* per lb. respectively.

(*i*) That since the export duties were first imposed there have been violent fluctuations in the prices ruling on the English market for all these articles, while the duties have remained fixed at so much per lb., irrespective of the actual values at the time of shipment.

(*j*) That while the values were high, the industry could have borne higher export duties, but that, at present prices, these duties are " in some cases quite ruinous."

(*k*) That no recovery of prices in the near future appears to be probable.

171. A calculation is given showing that the cost of curing, packing, transporting and landing a ton of raw hides, purchased at Kano and shipped to Liverpool, together with incidental charges, costs at the present time £28 6*s*. 1*d*., upon which the export duty payable amounts to £18 13*s*. 4*d*. These charges *plus* export duty, it is calculated, work out at 5·02*d*. per lb., which is stated to be only 2¼*d*. less than the prices at present offering in England, leaving no sufficient margin wherewith to defray the original cost of the hides or to furnish a profit to the purchaser. In consequence, it is stated, no hides have been bought in Nigeria since July, and those available for purchase are being wasted, as the natives cannot store them for any length of time; and it is further remarked that, unless relief is afforded, the revenue which the Government receives from this industry will automatically cease.

172. The Committee is of opinion that the Government of Nigeria should be urged to differentiate between raw goat skins and raw hides and sheep skins—the two latter being, it is informed, of approximately the same value—even if the present system of imposing a specific duty on a weight basis be adhered to; and that similar action be taken with regard to the tanned articles.

173. A meeting of the Association of West African Merchants held in Liverpool on the 22nd November unanimously pronounced in favour of specific as opposed to *ad valorem* duties being imposed on hides and skins, but recorded the opinion that the present rates were heavier than the trade could bear in existing circumstances. In view of this opinion the Committee hesitates to recommend the adoption of an *ad valorem* basis for the calculation of these duties.

174. As regards the amount of the duty, it has been suggested to the Committee that an *ad valorem* duty of 15 per cent. calculated upon the declared values at the port of shipment, which is the rate of duty at present in force in British India, represents a tax which the industry can equitably be called upon to bear; and the Committee considers that the Government of Nigeria should adopt this as its guide when fixing the amount of specific duties to be levied.

E.—Nigerian Tin.

175. The royalty payable to the Government of Nigeria upon exports of tin concentrates was revised early in the current year, a sliding scale being substituted for the flat rate of royalty hitherto in force, varying from 2 per cent. on the value, when the price of tin in London is less than £180 a ton, to 10 per cent. when the London price is £300 a ton or over. The Committee regards these new scales of duty as fair and equitable. It should be noted that 50 per cent. of the revenue derived from royalties on minerals in Nigeria is the property of the Niger Company.

176. It has been represented to the Committee that the railway rates and charges on tin concentrates, which work out at 3½*d*. per ton

mile, are unduly onerous, if compared with the rates charged on hides and skins and on ground-nuts carried over the Western Railway. The afore-mentioned articles, however, unlike tin concentrates, which have to be transferred at Zaria from the Bauchi Light Railway to the main line, do not require double handling.

177. At the present time, and as long as very low prices are ruling for tin, it is not in the interests of the future of the Nigerian tin industry that any action should be taken the effect of which would be to stimulate the export of concentrates, as in existing circumstances there is a temptation to devote exclusive attention to specially rich deposits, thus rendering poorer areas in their neighbourhood unpayable for eventual exploitation. Mindful of this danger, the Government of Nigeria, early in the current year, granted to the owners of mining property on the tin-field a number of concessions designed to enable them to reduce their expenses to a minimum while relieving them from the consequences which would ordinarily attend a cessation or a material diminution of their operations. The Committee therefore considers that the adoption of any action, such as reducing railway rates, which might tend to stimulate the winning of tin is undesirable at the present time.

178. The Committee is also informed that the Nigerian Railway is at present working at a loss; and having regard to the general financial situation, it is unable to recommend the adoption of any action which would have the effect of increasing the deficit which will result from the year's operations.

F.—Graduated Export Duties.

179. The suggestion has been made that export duties graduated in accordance with the market price offering on the day of shipment would be more equitable than the existing flat rates; and the Committee agrees that, in theory at any rate, there is a great deal of force in this contention. In practice, however, the Committee sees reason to doubt whether a graduated duty would greatly benefit the producer; and unless he were so benefited the substitution of a graduated for a flat rate of duty could not have any stimulating effect upon production.

180. This substitution of a graduated rate of export duty would inevitably import a new element of speculation and uncertainty into the calculations of the local purchasers of West African produce. Under the existing system, they know precisely the amount of the duty which they will be called upon to pay, when the time arrives for its shipment, upon any given parcel of produce which they decide to buy. If a graduated duty were in force, larger margins would have to be maintained than those which are already necessitated by the fluctuations in the Liverpool market prices, and the tendency of this would almost inevitably be more or less permanently to depress the prices which prudent buyers would consider themselves justified in offering to the local seller of produce.

181. Apart from this, a new element of uncertainty would be imported into the estimates of the revenue derivable from these sources, as the actual receipts would become dependent upon a constantly

shifting factor—the market prices for the various articles of export. Moreover, though it is indubitably equitable that the revenue derived from export duties should rise or fall in sympathy with the state of the market, the financial situation of these Colonies, as already demonstrated, is not of a kind that enables them at the present time to accept any immediate diminution of the revenue they are now obtaining.

182. The Committee considers, however, that the existing export duties on produce, which were fixed when values were high, ought to bear a closer relation to the market price offering for the commodities than is at present the case ; and it is of opinion that the Governments of the West African Colonies should periodically review these duties from that standpoint.

G.—Conclusions.

183. The Committee considers that the financial position of the British West African Colonies, with the exception of the Gambia, is far from satisfactory and that the Governments of Nigeria, the Gold Coast and Sierra Leone are to-day incurring expenditure in excess of the revenue which they have a reasonable prospect of obtaining from existing taxation.

184. The Committee is of opinion that the abnormal and, in a measure, the fictitious prosperity of these Colonies during 1919 and 1920 caused the radical change in their fiscal systems, which had been worked by the sudden decision to prohibit the importation of " trade " spirits, to be to some extent lost sight of by the Colonial Governments ; and that this has led to the work of reconstruction, which in almost every Public Department was demanded at the end of the War in the interests of efficiency, being undertaken by them on too lavish a scale and with too great rapidity.

185. Having regard to the present state of the West African trade, and to its prospects in the visible future, the Committee considers that the taxation at present in force imposes upon commerce and upon the West African producers burdens which they are ill able to bear in existing circumstances, and it is of opinion that it should be the dual object of the Governments concerned to submit their expenditure to drastic revision, and (when possible) to remit taxation.

186. The Committee recognises that many of the commitments of a Government are not susceptible of abrupt, immediate reduction, and that these Governments are under the necessity of raising sufficient revenue to cover their irreducible expenditure ; but the Committee is convinced of the necessity for the utmost economy being exercised in every branch of the Public Service, and would advocate the suspension of such schemes for the execution of public works as those Governments are in a position to abandon or postpone, unless it is clear that they can be financed out of the revenues which the Governments concerned have a reasonable prospect of obtaining in existing conditions.

187. The Committee, moreover, considers that the present system whereby public works, constructed during any given year and not

chargeable to loan funds, are paid for from revenue, necessitates the raising of annual funds to defray the cost of these permanent improvements in addition to paying the recurrent expenses of administration, maintenance, &c., which in the existing state of the West African trade are excessive, and which are already imposing a burden upon the commerce of these Colonies which is very serious. The Committee considers that, in existing circumstances expenditure of this description should be reduced to a minimum.

188. The Committee is fully alive to the cogency of the objections which have been raised in the course of its deliberations, and in the evidence given before it, to the imposition of export duties as a means of raising revenue. It regrets that the loss of revenue occasioned by the decision to prohibit the importation of " trade " spirits, combined with the greatly increased cost of all services and the too rapid attempt to make good during two years of abnormal prosperity the leeway lost during the War, has compelled the Governments of the West African Colonies to maintain, and subsequently to increase those duties, which were originally imposed as a temporary war measure. The Committee considers that the danger of these export duties unduly handicapping West African produce, *vis-à-vis* its competitors in the world's markets, is a matter which the Governments concerned must watch with great care ; and that if and when, by the reduction and readjustment of expenditure, it becomes possible to diminish taxation, it should be the endeavour of these Governments to decrease and, if possible, eventually to abolish these export duties.

189. Having regard, however, to the present financial positions of these Colonies, to their existing commitments, and to the heavy fall of revenue, as compared with the receipts in 1919 and 1920, with which they are now confronted, the Committee is unable to recommend any immediate reduction of the existing export duties, or any alternative means of raising revenue which, while meeting the financial necessities of these Colonies, and proving at once adequate and stable, will be less injurious to trade and industry than are the export duties on produce.

IX.—THE £2 DIFFERENTIAL DUTY ON PALM KERNELS.

190. This differential duty was imposed in October, 1919, on all kernels exported from the British West African Colonies which were not shipped under a guarantee that they would be crushed in some place within the British Empire. This action was taken on the recommendation of the Committee which sat in 1915–16 under the chairmanship of Mr. (now Sir Arthur) Steel-Maitland, and which proposed that this differential duty should " continue during the War and for five years afterwards." The evidence before that Committee was to the effect that before the War, *e.g.*, in 1913, Germany was absorbing 181,305 tons of palm kernels out of a total tonnage shipped from the British West African Colonies amounting to 234,208 tons ; and that of the 35,175 tons at that time shipped to British ports a considerable quantity was being re-exported to Germany. The object of the

recommendation was to divert the trade in palm kernels shipped from the British West African Colonies from German to British ports, and to establish the kernel-crushing industry firmly in Great Britain.

191. This measure met with considerable opposition from the unofficial interests in the West African Colonies, and especially in the Gold Coast, where the unofficial members of the Legislative Council voted unanimously against its adoption. It, however, was passed, and has now been in force for a period of two years.

192. In order to give effect to the law, while putting the exporter of kernels to British ports to as little inconvenience as possible, the Customs authorities in the West African Colonies accepted from the latter a bond for the amount of the differential duty, in the first instance, on parcels of kernels so shipped, and subsequently cancelled it upon production of proof that they had been landed and crushed within the Empire. In practice, however, it was not found possible to obtain a certificate from the crushers that any given consignment had actually been crushed in a British mill; and eventually the Customs authorities had to content themselves with a landing certificate only, the law being amended accordingly, and the subsequent history of the kernels so landed remaining untraced. The Committee has no doubt that the vast majority of the kernels exported from British West Africa and landed at British ports has been crushed in British mills; but there is evidence that some thousands of tons have, from time to time, been reshipped to Continental markets, thus evading the payment of the differential duty, but bearing in its stead the additional cost of handling, reshipment, &c.

193. On the other hand, there is some reason to believe that in certain instances shippers of kernels to British ports have been compelled to forfeit their bonds, owing to their failure to produce the necessary landing certificates within the prescribed time. Thus in Nigeria, in 1920, though only 13,183 tons of kernels are shown in the returns as having been exported to foreign countries, £30,337 was collected in that country on account of the differential duty of £2 a ton.

194. On behalf of the crushing interest it is urged that the differential duty on palm kernels should be maintained for the full period of five years, dating from the conclusion of hostilities, as originally recommended by Sir Arthur Steel-Maitland's Committee; and one witness urged that it should be retained for a period of five years dating from the present time. (Q. 730.)

195. In this connection it is contended that the imposition of the differential duty has produced the effects aimed at by Sir Arthur Steel-Maitland's Committee; that it has diverted practically the whole of the British West African kernel crop from Germany to Great Britain; that it has established the kernel-crushing industry in the United Kingdom, where it was formerly non-existent; and that it has created an export trade in palm kernel oil, 5,171 tons having been exported in 1919 and 20,291 tons in 1920—a new article of export and "a very valuable thing under present economic conditions." (Q. 140.)

196. It is further contended that crushers in the United Kingdom have invested large sums in the erection and improvement of their mills in order to enable them to deal specially with palm kernels; that these mills are handicapped *vis-à-vis* their German competitors by the fact that they were built at a high cost during the War, whereas the German mills were built in pre-war days at much lower charges; and that up to the present time these mills have not been profitable owing to the rapid falls in the market prices for oil and cakes, and the fact that the world's milling capacity is now much in excess of the consumptive demand for the finished products. (*Vide* evidence of Sir George Watson.) It is also stated that while Germany and Italy impose a heavy duty on imports of vegetable oils, the British crushers enjoy no similar protection.

197. There is an apparent discrepancy between the evidence given respectively by Mr. Pearson and Sir Alfred Mansfield, with regard to the " assistance " which the former stated had been granted to certain firms by the Government to enable them to erect crushing and extraction plant during the War. This has been cleared up at an interview which the above named gentlemen had with Sir Hugh Clifford and Mr. Slater on the 7th November at the Colonial Office.

198. The facts are that, before the Ministry of Food was instituted in 1916, priorities were granted by the Munitions Department to certain firms for the erection of crushing and extraction plant. After the appointment of a Director of Oils and Fats in 1917, however, applications seeking support for requests for similar priorities were consistently refused, the Ministry of Food being satisfied that sufficient plant was by that time in existence to satisfy the crushing requirements of the country. Financial assistance was also granted by the Ministry of Munitions in certain cases to assist the erection of plant specially designed for the production of glycerine; but at no time during the War was financial assistance given to aid the erection of crushing or extraction plant.

199. There is no evidence that anything in the nature of a definite pledge was given at any time to the crushers in the United Kingdom that the £2 differential duty, recommended by Sir Arthur Steel-Maitland's Committee, would be maintained for a period of five years, dating from the end of the War. The fact that it had been decided to adopt this recommendation was, however, made known publicly; and, as has already been noted, Ordinances giving effect to this proposal, and imposing the differential duty in question for a period of five years, were passed by the Colonial Legislatures in October, 1919.

200. The crushers, therefore, were encouraged to believe, and had every reason to expect, that the differential duty would be maintained, and that the protection which it afforded to them would be continued until October, 1924.

201. It is in evidence (Q. 20, Q. 298) that, until quite recently, the prices offering for kernels at Liverpool have been the highest obtainable in any market; and as long as that was the case the existence of the differential duty made no practical difference to the West

African producer, as the British market was the most profitable to which kernels could at that time be shipped. It is also in evidence (Q. 67-69),however, that, at periods during the last two or three months, the prices offering for kernels at Hamburg were about £2 higher than those ruling at Liverpool and that parcels aggregating, it is estimated, some 20,000 tons, were reshipped to Germany (Q. 61). It is also in evidence that in the middle of October an enquiry from the United States relating to the purchase of 1,500 tons of palm kernels came to nothing owing to the disinclination of the American purchaser to pay the differential duty (Q. 1035).

202. In the opinion of the Committee, therefore, the imposition of the differential duty has, of late, restricted the market for West African kernels exported from the British Colonies, not only theoretically but in actual practice.

203. The Committee also desires to emphasise the fact that it has not been found possible in practice to give full effect to the recommendation of Sir Arthur Steel-Maitland's Committee, which was was that the differential duty should be imposed upon all kernels exported from British West Africa that were not to be crushed in mills situated within the British Empire. The landing certificate, which it has been found necessary to substitute for the proposed crusher's certificate, does not entirely fulfil the intention of Sir Arthur Steel-Maitland's Committee, for though it is probable that the bulk of the palm kernels imported into the United Kingdom will, in practice, be crushed in British mills, the present system does not provide any actual security that any given consignment so imported will be so crushed, or that it will not be reshipped. When reshipment takes place, moreover, the Government of the exporting Colony loses the £2 a ton differential duty, while suffering all the disadvantages of a restricted market for its produce.

204. It is also in evidence that, since the conclusion of hostilities, Germany has become a much less formidable competitor in the world's markets for oil-producing nuts and seeds than she was before the War. Thus her imports of copra in 1920 were only 49 per cent. of the quantity imported in 1913 ; of rape seed only 57 per cent. of her 1913 imports of that article, of sesame seed, only 21 per cent. On the other hand, her import of palm kernels during 1920 amounted to only 272,332 units of 100 kilos, as against 2,539,169 units of 100 kilos in 1913, or only 10·7 per cent. of the latter figure (Q. 133). The greatest proportionate fall in her imports of oleaginous nuts and seeds is, therefore, in her imports of palm kernels, which indicates that she was completely shut out of the market for kernels from the British West African Colonies during 1920, and obtained such supplies of this product as she actually secured from French and Belgian Colonies and from Liberia.

205. Considerable difference of opinion has been expressed during the deliberations of the Committee as to how far the abolition of the £2 differential duty on exports of British West African kernels, as against its retention until October, 1924, as the existing Ordinances

contemplate, would lead to an immediate retransference of the trade from the United Kingdom to Germany.

206. On the one hand, it is contended that the reduced ability of Germany to import and handle oleaginous seeds and nuts since the War, and the loss by her of the extensive commercial organisation which she formerly possessed in the British West African Colonies, would operate as considerable handicaps ; and the opinion has been expressed that the British crushers are to-day in a position to compete successfully with their German rivals.

207. On the other hand, it is pointed out that, while there is a heavy import duty upon vegetable oils imported into Germany, these articles are admitted free into the United Kingdom. Germany, it is accordingly contended, is in a position to buy kernels in a sterling market, to manufacture the oil at very cheap rates owing to the comparatively low cost of labour and the depressed value of the mark, and thereafter to sell the manufactured produce in this country at prices with which British crushers could not compete, at the same time reaping an advantage from the superior market for the cattle cake made from the residue which exists in Germany.

208. It may be accepted that the same argument applies to copra, large quantities of which are produced in British Colonies ; and the Committee has before it no evidence showing any special reason why kernels should be subject to a differential export duty, which it has not been considered necessary to impose on exports of copra from British possessions. It is in evidence, however, that the use or neglect of kernels by the British crushers is dependent upon the relative prices ruling for that article and for copra, and that the reason why the British market has of late years absorbed practically the whole of the kernels exported from British West Africa is that, having regard to the £2 differential duty, it is able to deal with that article to better advantage than any other country. The market for copra being an open market, Germany's importation of this article in 1920 shows a decline of only 51 per cent. on her importations of copra before the War, while the decline in her importations of kernels amounts to 89·3 per cent.

209. It is pointed out that the kernel crop from West Africa, the bulk of which is produced in the British Colonies, is a single crop of comparatively small compass, grown in and exported from only one part of the world, which can without difficulty be absorbed by a single importing country. Before the War, this country was Germany ; to-day it is the United Kingdom ; and the opinion has been expressed by witnesses that, if the advantages which the British crusher has at present, owing to the imposition of the £2 differential duty, were to be lost to him, and Germany were thereby to be enabled once more freely to compete with him for kernels, he would very probably confine his purchase of the latter to such quantities as he considered essential for his purposes, and for the rest would transfer his attention to copra in their stead. It is suggested that this might tend to reduce, rather than to increase, the price obtainable for his kernels by the African producer (Q. 153 ff., 188 ff., 254 ff.). It must be noted, however,

that in the non-British West African Colonies no such duty is in force—a fact which places the producer of kernels in the British Colonies at a certain disadvantage.

210. The Committee considers that the question of the immediate abolition of the differential duty, or its retention in force for the full period contemplated by the local Ordinances, has to be judged from a double standpoint—viz., that of general Imperial interests and that of the special interests of the British West African Colonies.

211. As regards the former, it has been contended by one witness of great experience that palm kernels proved during the War to be a foodstuff of such great value for the manufacture of margarine that, in the interests of Great Britain, no line of action should be taken or adhered to, the effects of which may be to check the development of the industry; and he stated that he regarded the imposition of the differential duty as calculated to have this effect. (Q. 1833, 1861–1863.)

212. On the other hand, still judging the matter from the standpoint of Imperial interests, it is in evidence that the United Kingdom in to-day absorbing practically the whole of the kernels exported from British West Africa (Q. 130); that imports of margarine, which were extensive before the War, have to all intents and purposes ceased, the entire quantity required to satisfy the local demands being now manufactured in the United Kingdom (Q. 229–230); and that, even when kernels are reshipped to foreign ports from the United Kingdom, the handling, freight, &c., represent expenditure estimated at approximately 30*s.* a ton, which is paid by the foreign purchaser and finds its way into British pockets (Q. 73). It seems possible, however, that the system of transit options may revive and eliminate these charges. It is also pointed out that a small but increasing export trade in palm kernel oil from the United Kingdom has of late been established (Q. 139); and it is contended that, having regard to the present condition of British trade and labour, these are advantages which should not be lightly sacrificed.

213. Judged, on the other hand, from the standpoint of the interests of the British West African Colonies, the Committee is very strongly of opinion that an open and unrestricted market is unquestionably to their best advantage and consider that there is no sufficient justification for the retention of the differential duty.

X.—BROADENING THE BASIS OF TAXATION.

214. The Committee is not prepared to put forward any proposals designed to widen the basis of taxation.

215. In conclusion the Committee desires to express its warm appreciation of the services rendered to it by Mr. A. B. Acheson as Secretary.

HUGH CLIFFORD (*Chairman*).
A. R. SLATER.
E. B. TREDWEN.
D. S. MACGREGOR.
J. T. FURLEY.
A. W. RUSSELL.
S. M. GRIER.
A. P. VIRET.
C. GREIG.
G. L. CRAIK.
J. D. MILNE STEWART.
NORMAN MELLAND.
J. M. REID.
J. H. BATTY.
ROBT. L. HOLT.
SAML. RENSHAW.
W. K. FINDLAY.
JOSEPH E. TRIGGE.

A. B. ACHESON (*Secretary*).
15th December, 1921.

APPENDIX 1.

MEMORANDUM ON THE IMPORTATION OF SPIRITS INTO THE BRITISH WEST AFRICAN COLONIES DURING THE YEARS 1919, 1920, AND THE APPROXIMATE QUANTITIES FOR 1921 BASED ON THE INFORMATION AVAILABLE FOR THIS YEAR.

1. Early in 1919 legislation was passed in the British West African Colonies prohibiting the importation of Trade Spirits, and restricting that of all Spirits to a quantity not exceeding the importations of 1918. These restrictions were only operative during a part of 1919.

2. The following are the figures showing the importation into the various Colonies of each class of Spirits in 1919 and 1920, viz. :—

Class of Spirits.	1919.	1920.
	Imperial gallons.	Imperial gallons.
Brandy—		
Nigeria	3,150	7,845
Gold Coast	2,815	10,891
Sierra Leone	1,919	3,760
Gambia	936	1,262
Total	8,820	23,758
Gin and Geneva—		
Nigeria	53,361	104,723
Gold Coast	12,988	50,288
Sierra Leone	795	10
Gambia	2,386	564
Total	69,530	155,585
Liqueurs and Sweetened Spirits—		
Nigeria	1,292	3,649
Gold Coast	676	1,868
Sierra Leone	5,901	10,094
Gambia	2,071	3,046
Total	9,940	18,657
Rum—		
Nigeria	52,961	3,833
Gold Coast	723,214	19,159
Sierra Leone	47,112	49,763
Gambia	4,625	1,516
Total	827,912	74,271
Spirits (unenumerated)—		
Nigeria	3,458	6,797
Gold Coast	Nil	1,383
Sierra Leone	7,409	1,096
Gambia	369	Nil
Total	11,236	9,276

Class of Spirits.	1919.	1920.
	Imperial gallons.	Imperial gallons.
Whisky—		
Nigeria	46,238	159,552
Gold Coast	38,053	104,172
Sierra Leone	17,887	22,962
Gambia	3,724	3,352
Total	105,902	290,038
Perfumed Spirits—		
Nigeria	2,846	6,711
Gold Coast	*ad valorem*	*ad valorem*
Sierra Leone	529	981
Gambia	*ad valorem*	*ad valorem*
Total	3,375	7,692

TOTAL GALLONAGE OF ALL SPIRITS AND AMOUNT OF DUTY COLLECTED DURING—

Colony.	1919.		1920.	
	Quantity.	Duty.	Quantity.	Duty.
	Imp. galls.	£	Imp. galls.	£
Nigeria	163,306	76,810	293,110	242,565
Gold Coast	777,746	371,431	187,771	141,017
Sierra Leone	81,552	44,354	88,656	86,061
Gambia	14,111	4,109	9,740	7,005
Totals ...	1,036,715	496,704	579,277	476,648

3. The rates of duty imposed in these years were as under :—

Colony.	1919.	1920.
Nigeria	7*s.* 6*d.* to 10*s.* per Imp. gall.	15*s.* to 30*s.* per Imp. gall.
Gold Coast ...	9*s.* 6*d.* to 17*s.* per Imp. gall.	15*s.* to 30*s.* per Imp. gall.
Sierra Leone ...	7*s.* 6*d.* to 10*s.* per Imp. gall.	17*s.* 4*d.* to £1 per Imp. gall.
Gambia ...	5*s.* 6*d.* per Imp. gall. ...	15*s.* per Imp. gall.

In some cases the minima of these rates are levied on a strength of 50 degrees Tralles, and reductions or additions are made where the strength is shown by test to be below or above this standard. The maximum rates are charged on sweetened and compounded spirits, the strength of which cannot be ascertained by Tralles alcoholometer.

4. It has been found impossible to give a detailed statement of the spirits imported for 1921, as the figures available show the quantities imported and the duty collected during different periods.

The totals for the whole of 1921, calculated on the basis of this information, would be approximately as under :—

QUANTITY IN 1921.

——	Quantity.	Duty.
	Imperial gallons.	£
Nigeria	215,700	215,600
Gold Coast	212,000	236,000
Sierra Leone	38,000	43,000
Gambia	6,900	5,900
Totals	472,600	500,500

In May, 1921, the rates of duty for spirits which can be tested were made uniform throughout the British West African Colonies, the minimum being 22*s.* 4*d.* per Imperial gallon.

5. The figures which have been given for the four Colonies in 1921 indicate that, except in the case of the Gold Coast, the increase in revenue is not due to any greater importation of spirits, but that it is brought about entirely by the higher rates of duty imposed. It is considered that the limit of taxation on this commodity has been reached, especially in view of the fact that the duties in the adjoining French Colonies are considerably lower, and that the inducement for trade in contraband is therefore much greater than it has been in the past.

12th November, 1921.

Sgd. J. D. MILNE STEWART,
Comptroller of Customs, Nigeria.

J. M. REID,
Comptroller of Customs, Gold Coast.

A. P. VIRET,
Comptroller of Customs, Sierra Leone.

C. GREIG,
Gambia.

APPENDIX 2.

EXPORT DUTIES
ON
PALM AND SIMILAR PRODUCE EXPORTED FROM COLONIES OTHER THAN THE WEST AFRICAN COLONIES.

——	Duty on Cocoa.	Duty on Copra.	Duty on Coconuts.	Duty on Coconut Oil.
West Indies—				
British Guiana	*Ad valorem* 1 per cent.	... ...	... ...	*Ad valorem* 1 per cent.
British Honduras ...	... ...	... ...	Per 1,000, $1.	
Cayman Islands... ...	... ...	... ...	Per 1,000, 1*s.*	
Dominica	Raw, 1*s.* 6*d.* per 100 lb.; prepared, 2*s.* 1*d.* per 100 lb.			
Grenada	(1) *Cocoa Exported to Europe*—Varies between 6*d.* and 1*s.* 9*d.* per cwt. as the London market price varies between 50*s.* or less and 90*s.* per cwt. An additional 6*d.* is added to the duty for every rise in price of 10*s.* above 90*s.* per cwt. (2) *Cocoa Exported to countries outside Europe*—Duty is charged on above scale, but on the basis of the New York market price.			
Montserrat	Per 100 lb., 2*s.* 1*d.*			
St. Lucia...	Varies between 6*d.* and 2*s.* 3*d.* per cwt. according as the price per cwt. varies between 55*s.* and 130*s.* If the price falls below 55*s.* no duty is charged, and the duty is increased by 1½*d.* for each 5*s.* that the price rises above 130*s.* per cwt.	Per ton, 7*s.* 6*d.*	Per 100, 1*d.*	Per ton, 7*s.* 6*d.*

——	Duty on Cocoa.	Duty on Copra.	Duty on Coconuts.	Duty on Coconut Oil.
West Indies—*contd.*				
St. Kitts	... ...	... ...	If price f.o.b. is under £5 per 1,000 nuts, no duty. When price is between £5 and £6 duty is 2*s.* per 1,000 nuts and for each additional £1 in price 6*d.* per 1,000 nuts is added to the duty.	
St. Vincent	Per cwt., 6*d.*			
Trinidad—General Revenue	6½*d.* } Per 100 lb.	10*s.* 0*d.* } Per 1,000 lbs.	3*s.* 4*d.* } Per 1,000 lbs.	
Immigration Tax ...	1½*d.*	4*s.* 6*d.*	4*s.* 6*d.*	
Agricultural College Tax	4*d.*	3*s.* 0*d.*	1*s.* 0*d.*	
Other Colonies—				
British North Borneo ...	... ...	*Ad valorem* 2½ per cent.		
Ceylon	Per 100 lb., Rs. 1·50	Per cwt., 40c.	Per cwt. (desiccated), 70c.; per 1,000 (fresh), Rs. 2.	Per cwt., 75c.
Federated Malay States	... ...	*Ad valorem* 1½ per cent. ...	*Ad valorem* 1½ per cent.	
Sarawak	... ...	*Ad valorem* 5 per cent.		
Seychelles	... ...	Per 1,000 kilos: (*a*) Rs. 5, (*b*) Rs. 7·50, (*c*) Rs. 10. Copra exported to non-European ports pays in addition a further fixed duty of Rs. 5 per 1,000 kilos.	Per 1,000: (*a*) 75c., (*b*) Rs. 1·12, (*c*) Rs. 1·50.	Per hectolitre: (*a*) 83c., (*b*) Rs. 1·24, (*c*) Rs. 1·65.

NOTE.—The duties on Copra, Coconuts and Coconut Oil in the Seychelles vary according as the selling price of copra in Marseilles is (*a*) less than Rs. 500, (*b*) between Rs. 500 and Rs. 599, (*c*) Rs. 600 or over per ton.

APPENDIX 3.

STATEMENT SHOWING THE EXPORT DUTIES LEVIABLE IN FRENCH WEST AFRICA, FRENCH EQUATORIAL AFRICA AND BELGIAN CONGO ON PRODUCE SUBJECT TO EXPORT DUTIES IN BRITISH WEST AFRICA.

(SUPPLIED BY THE DEPARTMENT OF OVERSEAS TRADE.)

French West Africa. (Senegal, Guinea, Upper Senegal and Niger, Mauretania, Ivory Coast and Dahomey)—

Kola nuts	30 fr. per 100 kilos. net.
Ground-nuts (*arachides*)	22 fr. per 1,000 kilos. gross.
Palm kernels	24·75 fr. per 1,000 kilos. gross.
"Karite" and sesame seeds	5½ per cent. *ad valorem*.
Palm and palmetto oils	49·50 fr. per 1,000 kilos. gross.
Mahogany and other cabinet makers' wood	8 fr. per 1,000 kilos. gross.
Raw hides and skins :—	
(*a*) Large (ox hides and other) ...	10 fr. per 100 kilos. gross.
(*b*) Small (of sheep or goats) ...	7 fr. per 100 kilos. gross.

French Equatorial Africa including Gaboon.—

Palm oil and palm kernels... ... ... 5 per cent. *ad valorem*.

NOTE.—No other export duties, except on ivory and rubber can be traced.

Belgian Congo.—

Export duties are levied at the rate of 2 per cent. *ad valorem* on fixed valuations. The valuations are as follows :—

Ground-nuts...	30 fr. per 100 kilos. indivisible.
Cocoa	200 „ „ „
Palm oil	74 „ „ „
Palm kernels	40 „ „ „

NOTE.—In the case of products not enumerated in the valuation tariff, duty would presumably be levied at the rate of 2 per cent. on the declared value.

APPENDIX 4.

VIEWS HELD BY THE AFRICAN UNOFFICIAL MEMBERS OF THE GOLD COAST LEGISLATIVE COUNCIL WITH REGARD TO THE EXISTING CUSTOMS DUTIES IN THAT COLONY.

TELEGRAM from the Secretary of State for the Colonies to the Officer Administering the Government of the Gold Coast. (10th September, 1921.)

Following from Governor: begins :—

"Ascertain and report opinions of Native Members of Legislative Council on following points :—Do they object to continuing present duties import or export? If so what alterations do they recommend giving full reasons? If their advice involves reduction of revenue from existing sources what other taxation can they suggest? Ends. SECRETARY OF STATE FOR THE COLONIES.

TELEGRAM from the Officer Administering the Government of the Gold Coast to the Secretary of State for the Colonies. (24th October, 1921.)

"Your telegram 10th September; inform Governor that native unofficial members of Legislative Council express following views. (One) that the 20 per cent. *ad valorem* import duty is too high and should be reduced as soon as possible, but in view of financial position do not definitely recommend reduction immediately. (Two) that the people have been taxed to the utmost limit. (Three) that the incidence of the export duty should vary with market price. (Four) that preferential duties are objectionable. The only recommendations made for improving the financial position are (one) the reduction of European staff and (two) that the Imperial Government should credit this colony with the Income Tax on profits made by European firms and mining companies from businesses established here. A copy of the letter will follow by mail. "WILKINSON."

APPENDIX 5.

TABLE SHOWING PERCENTAGES WHICH THE REVENUES OF EACH OF THE WEST AFRICAN COLONIES BEAR TO THE TOTAL VALUE OF PRODUCE EXPORTED DURING THE YEARS 1911–1920, INCLUSIVE.

Year.	Nigeria.			Gold Coast.			Sierra Leone.			Gambia.		
	Revenue.*	Value of Produce Exported.	Per Cent. of Revenue to Value of Produce Exported.	Revenue.*	Value of Produce Exported.	Per Cent. of Revenue to Value of Produce Exported.	Revenue.*	Value of Produce Exported.	Per Cent. of Revenue to Value of Produce Exported.	Revenue.	Value of Produce Exported.	Per Cent. of Revenue to Value of Produce Exported.
	£	£		£	£		£	£		£	£	
1911	2,490,000	5,072,000	49·10	1,112,000	3,463,000	32·11	458,000	1,005,000	45·57	86,000	454,000	18·94
1912	2,859,000	5,477,000	52·20	1,231,000	3,996,000	30·81	560,000	1,223,000	45·79	96,000	529,000	18·15
1913	3,178,000	6,779,000	46·88	1,302,000	5,014,000	25·97	618,000	1,377,000	44·88	125,000	655,000	19·08
1914	3,048,000	6,151,000	49·55	1,332,000	4,460,000	29·87	497,000	933,000	53·27	86,000	682,000	12·61
1915	2,703,000	4,874,000	55·46	1,456,000	5,800,000	25·10	504,000	853,000	59·09	92,000	421,000	21·85
1916	2,831,000	5,884,000	48·13	1,836,000	5,561,000	33·02	551,000	1,102,000	50·00	103,000	534,000	19·29
1917	3,450,000	8,482,000	40·67	1,624,000	5,505,000	29·50	536,000	1,276,000	42·01	118,000	940,000	12·55
1918	4,014,000	9,359,000	42·89	1,299,000	3,970,000	32·72	573,000	1,189,000	48·19	133,000	867,000	15·34
1919	4,911,000	14,501,000	33·87	2,601,000	10,706,000	24·29	749,000	1,807,000	41·45	181,000	1,185,000	15·27
1920	6,738,000	16,718,000	40·30	3,722,000	12,225,000	30·45	988,000	2,248,000	43·95	270,000	2,357,000	11·41

* *See* note on pages 18, 19 and 20.

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